مكرر من الاصل

FINANCIAL TIMES

Jobs in Germany
Despair and hope in abandoned shipyards
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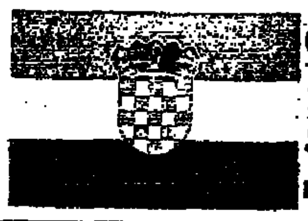

Croatia
The need to win Serb hearts
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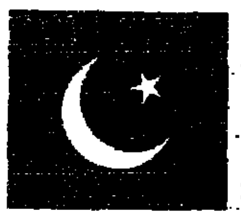

Today's survey
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Weekend FT
The families who wait for empty trawlers

World Business Newspaper FRIDAY APRIL 7 1995 D8523A

Virgin settles its 'dirty tricks' action against BA

British Airways said last night that UK airline Virgin Atlantic's "dirty tricks" case against it had collapsed. Virgin will make a net payment of £385,000 ($616,000) to BA. British Airways said Virgin had claimed £29m last December as compensation for alleged dirty tricks carried out by BA. Last month, however, Virgin approached BA to suggest a settlement.

Olivetti and Bell in telecom challenge: Italian computer group Olivetti and US telecommunications company Bell Atlantic are challenging Telecom Italia's dominance of the Italian market for business telecom services. Page 15

Chirac urges stronger ties with Britain: Jacques Chirac, frontrunner in the French presidential elections, has called for stronger links with Britain to complement France's central relationship with Germany. Page 14; Race for the 'monarchy', Page 2

Major to make Europe a battleground: British prime minister John Major will make European Union policy one of the main battlegrounds in the run-up to next month's UK local elections. Page 9

Daimler raises its dividend: Daimler-Benz demonstrated its confidence in continuing recovery by offering shareholders a DM11 dividend - up from DM8 the previous year. Page 15; Lex, Page 14

Banks line up for big equity deal: Three banks leading consortia are bidding to manage central Europe's biggest ever equity deal. Page 15

Chrysler, the US motor group, will buy batteries from Electrosource, a Los Angeles company, to power its first generation of electric vehicles, due off production lines in the next three years. Page 15

Gingrich aims to reform US income tax: Newt Gingrich, Speaker of the House of Representatives, took his elation over its passage of the $189bn tax cut bill a stage further by saying "the current income tax has to go." Page 7

Wary deputies approve Ukraine budget: Ukraine's parliament gave grudging approval to the government's 1995 budget, in a move intended to open the door to a $1.8bn International Monetary Fund stand-by loan agreed last month. Page 3

US to appeal ruling on gays in military: The US Justice Department will appeal against a ruling striking down the Clinton administration's policy barring gays from serving openly in the military.

Fujitsu links up with Samsung: Japanese electronics group, Fujitsu, and Samsung of South Korea have agreed a cross-licensing deal to share technology for liquid crystal displays. Page 4

End to polio 'by 2000': The world is on track to eradicate polio by the turn of the century, the World Health Organisation said. Page 5

Two killed in shelling: Two people were killed and several injured when a Sarajevo suburb was shelled. UN military observers said Bosnian Serb forces had apparently targeted the government-held suburb of Hrasnica in the attack.

Murdoch aims for rugby "super league"

Rupert Murdoch's News Corporation has launched a daring bid for dominance in world television sport with plans to create an international Rugby League "Super League" just after snapping up rights to top international boxing matches. It is believed the new league would include top British clubs. The top four teams would compete with the best from the new Australian Super League being put together by Mr Murdoch in Australia. Page 8

Defendant admits genocide: Rwanda's genocide trials began with a defendant admitting he killed 900 people in the bloodbath that began exactly 12 months ago. The first seven of up to 30,000 jailed suspects appeared in a Kigali court accused of taking part in the killings.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,203.69	(+3.12)
NASDAQ Composite	814.95	(-1.37)
Europe and Far East		
CAC40	1,899.16	(+17.24)
DAX	1,979.27	(+9.43)
FT-SE 100	3,209.9	(+10.7)
Nikkei	15,815.8	(-66.62)

US LUNCHTIME RATES

Federal Funds	5 11/32%
3-mth Treas Bills: Yld	5.827%
Long Bond	103 1/16
Yield	7.354%

OTHER RATES

UK: 3-mo Interbank	6 11/16%	(same)
UK: 10 yr Gilt	100 13/32	(100 13/32)
France: 10 yr OAT	98.06	(98.13)
Germany: 10 yr Bond	102.23	(102.32)
Japan: 10 yr JGB	108.188	(107.653)

NORTH SEA OIL (Argus)

Brent 15-day (May)	$17.94	(17.84)

GOLD

New York: Comex		
June	$398.5	(397.2)
London:		
close	$394.8	(392.3)

DOLLAR

New York: lunchtime		
£	1.60775	
DM	1.372	
FFr	4.7795	
SFr	1.12465	
Y	85.385	
London:		
£	1.6085	(1.6038)
DM	1.3763	(1.3835)
FFr	4.7875	(4.834)
SFr	1.1278	(1.135)
Y	85.375	(86.5)

STERLING

DM	2.2136	(2.2184)
Tokyo close:	Y 86.35	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Dinf.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira60	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK35	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso60	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.60	Lux	LFr70			UAE	Dh12.00

Government pledges to help industry ■ Tax cuts and public spending rise planned

Japan moves to tackle rising yen

By Philip Gawith in London and William Dawkins in Tokyo

The Japanese government is preparing public spending increases and tax cuts to boost the economy and help industry cope with the continuing strength of the yen.

Mr Tomiichi Murayama, prime minister, meeting business leaders at his residence yesterday, promised "drastic measures" to stimulate the economy, whose weak recovery may be threatened by the yen's rise, and lift the stock market.

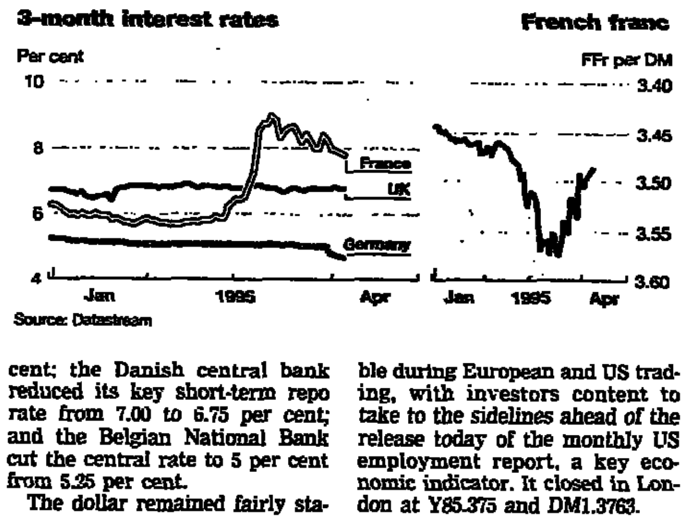
However, doubts were expressed in Tokyo about whether Japan's divided coalition government could bring in economic measures large enough to have substantial effects on the economy or the huge current-account surpluses that buoy the yen.

Mr Yasuo Matsushita, governor of the Bank of Japan, echoed industrialists' concern by warning that the currency turmoil posed the "risk of economic setback".

In Europe, meanwhile, the easing of exchange rate pressures after the cut last week in German interest rates allowed France, Denmark and Belgium to reverse last month's emergency rate rises. The French franc has rallied by about 5 centimes since the Bundesbank cut rates, from FFr3.53 against the D-Mark to about FFr3.48.

The Bank of France trimmed the 24-hour lending rate by a quarter of a point to 7.75 per cent; the Danish central bank reduced its key short-term repo rate from 7.00 to 6.75 per cent; and the Belgian National Bank cut the central rate to 5 per cent from 5.25 per cent.

The dollar remained fairly stable during European and US trading, with investors content to take to the sidelines ahead of the release today of the monthly US employment report, a key economic indicator. It closed in London at Y85.375 and DM1.3763.



Source: Datastream

Analysts said central banks had stabilised the dollar in the short term, but there remains broad consensus that central bank support is ineffective in changing exchange rate trends.

Mr Jeffrey Shafer, US treasury assistant secretary, said in Washington that the Treasury had a little less than $19bn in D-Marks and yen to defend the dollar, and more could be obtained if necessary. Analysts said that was a fairly modest sum and illustrated the limited scope for intervention. Market estimates are that the Fed has recently been spending as much as $1bn a day supporting the dollar.

Asked what might turn the dollar around, Mr John Laware, a Federal Reserve board governor, said in New York: "I think fiscal policy is probably the answer ... As long as we are generating huge deficits, the world is awash with dollars."

Mr Steve Hannah, head of research at IBJ International, a bank in London, said those comments reflected the dominant market view. "Dollar weakness is much more to do with structural issues like fiscal policy and trade deficits than changes in interest rates," he said. He doubted whether the Japanese measures would have much effect on the economy because, he said, it was more an attempt to alleviate the effects of yen strength than to address its causes.

Doubts on Japanese stimulus package, Page 6; Currencies, Page 29; World stocks, Page 35

Galician fishermen demonstrate outside the Canadian embassy in Madrid yesterday against Canada's alleged attack on Spanish boats catching Greenland halibut in international waters off Newfoundland. Picture: Reuter

Canada under fire from EU in fisheries row

By Caroline Southey in Luxembourg, David White in Madrid and Bernard Simon in Toronto

Spain and Canada exchanged diplomatic salvoes yesterday as the European Commission attacked Canada for alleged harassment of Spanish trawlers in international waters off Newfoundland.

The claims of Canadian action provoked a flurry of diplomatic activity in Brussels, while in Madrid about 3,000 protesters hurled eggs and mackerel at the Canadian embassy.

It also provoked a fresh dispute between Spain and Britain, which refused to endorse condemnation of Canada's alleged actions by a meeting of EU fisheries ministers in Luxembourg.

Mr Luis Atienza, Spain's fisheries minister, said the UK position showed a "breakdown in solidarity which ... has few precedents and weakens the position of the UK in the rest of the EU".

Britain also opposed an EU proposal for a unilateral quota of 18,630 tonnes, or 69 per cent, of a 27,000 tonnes quota for the Greenland halibut catch this year in the disputed area.

Spain alleged that Canadian patrol vessels had tried to board Spanish trawlers or cut their nets. Mr Brian Tobin, Canada's fisheries minister, described the claims as "absolutely false".

The alleged incident prompted the European Commission to call in the Canadian ambassador to Brussels to protest at the "flagrant violation of international law in the North Atlantic". It described the action as "hostile, illegal and dangerous".

In a letter to Mr Jean Chretien, the Canadian prime minister, Mr Jacques Santer, European Commission president, condemned the action as "wrong and unwise".

"We are now close to an agreement. But in the difficult final stages of our negotiations we need to take great care not to add to an already inflamed situation," he said.

In Ottawa, the Canadian government told EU ambassadors the criticism was unwarranted. Mr Tobin Mr said: "I don't

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Pressure on Chase over share returns

By Richard Waters in New York

Chase Manhattan, the sixth biggest US bank, has come under pressure from its largest shareholder to find ways of raising its share price, a move which analysts say could spark a shake-up or even the eventual sale of the bank.

The news, disclosed in a regulatory filing late on Wednesday, prompted heavy buying of a number of US bank stocks yesterday on the expectation that other institutions would also be forced to take more aggressive action to improve returns to shareholders.

Chase has come under siege from Mr Michael Price, head of Heine Securities, a mutual fund group which has gained a reputation as an activist shareholder in recent years. Mr Price has amassed 6.1 per cent of Chase's stock since he began buying in the middle of February, making him the bank's biggest shareholder.

In the filing, Mr Price called on Chase to "seriously consider taking steps to realise the inherent value in its businesses in a manner designed to maximise shareholder value".

The group operates a number of businesses which "generate far more attractive returns and possess superior growth prospects" than its traditional bank-

Continued on Page 14
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EBRD faces fight for more funding to increase loans

By Anthony Robinson, in London

The annual meeting of the European Bank for Reconstruction and Development (EBRD) in London this weekend is expected to mark the start of a potentially fierce political struggle over the size of future increases in the bank's Ecu10bn ($13bn) capital.

Officials at the bank, established to support the transition from communism in eastern Europe, have prepared a technical paper spelling out the bank's capital needs to be expanded if future lending is to be increased. When the bank's government shareholders discuss the paper, those countries which receive finance from the bank are likely to press for increases in its capital to fund increased lending. EBRD officials believe satisfying these demands could require a doubling of the bank's capital.

However, developed countries which contribute the bulk of the EBRD's capital are under domestic pressure to curb spending on foreign assistance. The US government, the biggest single shareholder with a 10 per cent stake, will need to convince a Republican-dominated and sceptical Congress of the value of further help for post-communist Europe.

The bank's 57 government shareholders agreed in 1991 to contribute Ecu3bn of taxpayers funds as paid-up capital to get the bank off the ground. They pledged a further Ecu7bn of funds which the bank can call on *in extremis*. This Ecu10bn limits the total lending, currently running at just under Ecu2bn a year. The bank has committed Ecu5.7bn in loans to date.

The bank's statutes require a review of its capital structure by April 1996, the fifth anniversary of its foundation. To comply with this deadline senior bank officials have drawn up a technical paper setting out the details of all loans, liabilities and assets to date and transactions currently in the pipeline or projected.

This paper will provide the deceptively low-key technical beginning to what will almost certainly develop into a highly political debate which will determine the willingness of governments and parliaments to provide additional financial resources for the bank's task.

After the US, the next largest shareholders are Britain, France, Germany and Italy, along with Japan, who each contributed 8.5 per cent of the capital. The smaller EU states, other European countries and all 25 countries in which the bank operates have much smaller stakes.

After a shaky start under Mr Jacques Attali, former EBRD president, the bank has regained credibility over the past two years under Mr Jacques de Larosière, its president, and Mr Ron Freeman, his deputy. Mr de Larosière was formerly managing director of the International Monetary Fund.

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NEWS: EUROPE

Race for the 'monarchy' attracts full field

Today's official launch of the presidential campaign in France should see nine candidates vying for the Elysée palace, writes **David Buchan**

FRENCH ELECTIONS April 23/May 7

The French presidency has been dubbed "a temporary elected monarchy", reflecting the fact that the incumbent of the Elysée palace has greater relative power than his counterpart in the White House. Despite much talk of the need for shorter terms, a French president serves for seven years, with theoretically no limit on his re-election. He names the prime minister, has an overriding prerogative in foreign and defence policy, and can dissolve the legislature when he wants to. Elections to the Elysée have therefore always attracted a multitude of candidates.

The 1995 race is no exception.

Today is the "official" start of the campaign, with the publication by the Constitutional Council of the formal list of candidates. To qualify to run, a candidate needs the signatures of at least 500 elected politicians, based in at least 30 of the country's 95 departments, a hurdle which bars purely regional candidates and some lesser ones.

Nine candidates claim to have secured the necessary 500 signatures or more, although this cannot be certain until the Council publishes its list.

Presidents are elected by universal suffrage in two rounds of voting, which this year fall on April 23 and May 7. Any candidate winning more than 50 per cent of the vote on April 23 would be declared president; but outright victory on the first round has never happened, so the two front-runners after April 23 will go on to the decisive May 7 run-off.

A new law, passed in January to clean up French political financing, reduces by a third the amount that presidential candidates are allowed to spend, compared with 1988. The new ceiling restricts spending to FFr90m (£11.6m) for those whose campaign ends on April 23, and to FFr120m for the two going the distance to May 7. About a third of this will be reimbursed by the state.

The new president's first act will be to name a prime minister. He is effectively obliged to choose someone from the largest party or formation in the national assembly, as the premier must have a majority to govern.

If the prime minister and the assembly majority are of the same political persuasion as the president, then the latter also has a big say in the choice of ministers. In contrast, Socialist President François Mitterrand chose as premier Mr Edouard Balladur out of the ranks of the conservatives who won the 1993 parliamentary elections, but left the choice of ministers largely to Mr Balladur.

If an incoming president is faced with a hostile or untrustworthy parliamentary majority, he can try to get a new loyal majority elected on the "coat-tails" of his presidential victory by calling a snap parliamentary poll.

Mr Mitterrand did this immediately after his 1981 and 1988 presidential victories. If Mr Lionel Jospin, the Socialist candidate, were to win a long-shot victory on May 7, he would have to try the same tactic. The two Gaullist candidates – Mr Balladur and Mr Jacques Chirac – have pledged not to dissolve the assembly, as their centre-right parties already hold 480 of the 577 seats and could hardly do better.

Quentin Peel watches mayor of Paris cultivate the green vote

Nimble Chirac avoids getting stuck in mud

If Mr Jacques Chirac wins the French presidency on May 7 he will owe it in no small part to his tireless capacity to cultivate the grassroots of the French electorate.

Of all the leading candidates, he is the only one who revels in his contacts with the common people, working the village halls and factory canteens to listen to local grievances, and spread an impression of his care and concern.

Since November 4, when he announced his official candidacy, he has visited every one of France's 22 regions, and its four main overseas territories, almost literally working the land in little local meetings, spreading a gospel intended to appeal to the widest possible electorate: stability and reform, pride in France, and a social conscience, tough on immigration, but good on race relations.

Chirac has visited all 22 regions since November, and four overseas territories

He was at it again in Brittany this week, good conservative, Catholic country with a strong agricultural vote, a big defence lobby (at the naval port of Brest), and deep concern about the environment.

The problem is that it is also fertile ground for his arch-rival, Mr Edouard Balladur, who is leading him in the polls there by 25 per cent to 24 per cent, according to the latest survey – against the national trend.

His staff had it all well planned: first a chance to demonstrate his social concern, at a factory employing the handicapped; then a meeting with farmers and fishermen on the gorse-strewn cliffs of north Brittany, at St Brieuc, and finally a massed rally of the faithful in Brest, with a vocal gathering of "students for Jacques Chirac" to bellow their support at a battery of television cameras.

And yet it was not all plain sailing for the man who is making such a determined effort to please every audience.

It was Mr Chirac's first real attempt in his campaign to go for the green vote, overlooking the mud-flats of the bay of St Brieuc. For there lies the frontline in a confrontation between two constituencies he would dearly love to win: the pig farmers and the fishermen.

Gathering mussels and scallops are big industries on the Brittany coast, to feed the fine restaurants in Paris where Mr Chirac is mayor. But these days they call the bay of St Brieuc the Bay of Pigs – because of all the slurry coming off the land and polluting the sea.

"The coquilles St Jacques are dying because of the green algae," said Mr Emile Eouzan, a fisherman from St Brieuc. "When the fishermen pull in their nets, you cannot see the strands for the algae."

Mr Michel Carteron is president of the mussel-gatherers in the bay. "The farmers have got to be aware that they are destroying our livelihood," he said. "The mussels filter an enormous amount of water, and they are very rapidly polluted."

Mr Chirac was masterly. He looked quite as concerned about mussels and other molluscs as he did about jobs for the handicapped. He muttered about global warming, the population crisis, and the pollution of the Mediterranean and the Côte d'Azur. But he studiously avoided taking sides against the pig farmers.

It was the same in Brest. He praised the Bretons for their conservatism, and he praised them for their adaptability. He praised nostalgia, and he praised reform. He promised money for defence, money for agriculture, and a Ministry of the Sea to promote everything from fisheries to tourism.

He stressed his commitment to preserving the common agricultural policy of the European Union, but he promised to reform the "archaic regulations" for which it is notorious. He praised the Maastricht treaty as "a small step in the right direction". But he condemned it for widening the gap between "the Europe of the technocrats, and that of its peoples".

Mr Chirac is a good old-fashioned politician of many promises. If he wins the presidency, he can always blame his prime minister for failing to deliver.

The Gaullist leader's followers are convinced that this will be third time lucky. "We have never been so close before, both to power, and the people," says one campaign organiser.

But on Wednesday night in Brest there was just one fly in the ointment. In the dying seconds of its European cup-tie match with AC Milan, Mr Chirac's team, Paris St Germain, was beaten. The mayor of Paris must hope this is not an ill omen for May 7.

Policy parities put focus on image

By John Ridding in Paris

The contest to succeed President François Mitterrand has often resembled a game of snakes and ladders. Long shots have become favourites, while front-runners have slipped and fallen to the back of the field.

Mr Edouard Balladur saw his overwhelming lead in opinion polls disappear in a matter of weeks. Mr Jacques Chirac, his Gaullist rival, surged from obscurity to take the lead, while Mr Lionel Jospin has established a respectable standing despite having been written off at his February election as Socialist candidate.

Now, although Mr Chirac retains a lead, there is convergence between the three candidates, and particularly between the two Gaullists. The result is likely to be a heated and volatile race to the finishing line.

The volatility in the election campaign is partly the result of a convergence of policies and platforms. Mr Balladur may appear a more convincing pro-European than his rivals, while Mr Jospin may be more sympathetic to calls for a reduced working week and pay rises. But the differences are often of degree.

The result is that the electorate can more easily switch from one candidate to another, particularly between the two Gaullists, without having to jettison entrenched values. The implications are that image becomes much more important, and that the standing of candidates is vulnerable to accidents.

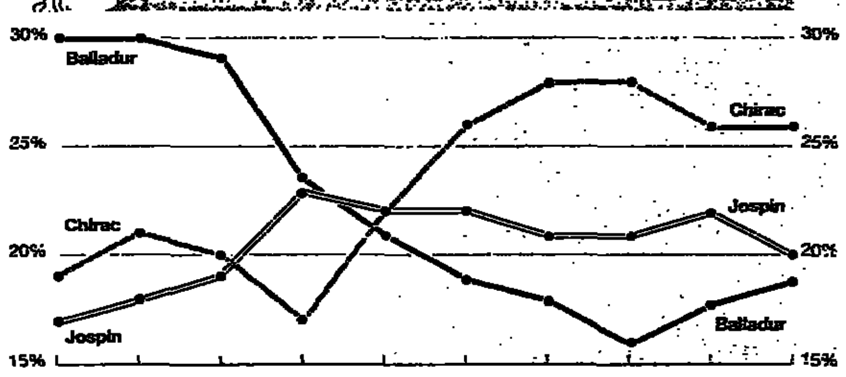
On the first count, Mr Chirac has tried, with success, to project a populist image which transcends the traditional left-right division. Mr Balladur has sought to respond, adopting a more dynamic style and spending more time on the stump.

The latter has also demonstrated the significant threat of accidents. A wire-tapping controversy and a spy-row with the US were a factor in his plunge in the polls. He has now climbed several rungs on the ladder, raising the threat of an unprecedented second-round run-off between candidates from the same party.

The implications are potentially profound. The risk of a damaging wrench in the Gaullist movement – and the interests of their candidate – are prompting Chirac supporters to demand Mr Balladur's withdrawal. "If there was a showdown there would be a real split," says Mr Bernard Pons, the Gaullist chief whip. But Mr Balladur, experienced in the swings of the campaign, and mindful that more than a third of the electorate remains undecided, does not appear to be listening.

The candidates and where they stand

Who the voters said they would vote for in the first round



Source: Louis Harris

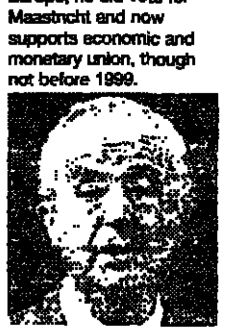
	March 31/ April 1 poll	Change on March 23/24 poll
Jacques Chirac	26.0%	-1.5%
Edouard Balladur	20.0%	+2.0%
Lionel Jospin	18.5%	-3.5%
Jean-Marie Le Pen	13.0%	+1.0%
Robert Hue	9.0%	+1.0%
Philippe de Villiers	5.5%	+1.5%
Arlette Laguiller	5.0%	No change
Dominique Voynet	1.5%	-0.5%

Source: IFOP telephone poll for l'Express

Jacques Chirac is the current frontrunner in a race which he has twice – in 1981 and 1988 – failed to win. This time, however, the Gaullist mayor of Paris has pulled ahead on a platform calling for radical change to French unemployment and welfare policies and for strong assertion of French interests abroad.

Mr Chirac, 62, has the most government experience of any of the candidates, having been three times a minister under de Gaulle and under Pompidou, and twice prime minister in 1974-6 and 1986-88 under presidents Giscard d'Estaing and Mitterrand. His power base is the modern Gaullist party, the RPR, which he founded in 1976.

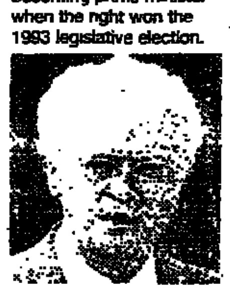
Wobbly in the past on Europe, he did vote for Maastricht and now supports economic and monetary union, though not before 1999.



Edouard Balladur, the prime minister, lost his lead in the opinion polls within a month of formally declaring his candidacy in January, chiefly because of his difficulty in changing his image from that of an unflappable, competent manager to that of a candidate with a bold vision capable of winning hearts and votes.

He has since fought back, trying to popularise his image and promising, among other things, tax cuts, more representation for women, and an effort to prepare France for monetary union by 1997.

Turning 66 on May 2, he is the second oldest candidate (behind Mr Jean-Marie Le Pen) but with less government experience than his fellow Gaullist rival, Mr Chirac. After a spell as adviser to President Pompidou, he only returned to politics in 1986 to become finance minister for two years. From 1988 he sat as an opposition MP until becoming prime minister when the right won the 1993 legislative election.



Lionel Jospin was handed an unenviable task when he was voted as the Socialist party's presidential candidate in February.

Devastated in the 1993 national assembly elections, riven by factions and snubbed by Mr Jacques Delors, the former president of the European Commission who turned down the candidacy, the party seemed destined for another crushing defeat.

But the austere former education minister has made steady progress in reversing Socialist fortunes. His honest image, at a time of scandals and corruption, and his straight-talking style, have helped buttress the party's support and heal internal divisions.

His manifesto, which includes a reduction in the working week from 39 hours to 37 hours within the next two years, a new tax on capital movements and investment income and an extension of France's freeze on nuclear weapons tests, reflects a belief in the continued significance of the left-right divide in French politics.

Mr Jospin, a 57-year-old former teacher, places much emphasis on the need to upgrade the French educational system. He is also a supporter of European economic integration.

Jean-Marie Le Pen, leader of the extreme-right National Front, has provided a constant indicator of France's acute social problems in the fields of immigration and unemployment.

Encouraged by opinion polls which forecast he could win more than 12 per cent of the vote, the 66-year-old demagogue will not, however, make it to the second round run-off. But he could represent a crucial powerbroker: his long-standing, mutual hostility towards Mr Chirac could be a vital consideration.

The main plank of Mr Le Pen's platform is an attack on immigration, for which he blames most of France's social problems, from unemployment to homelessness. If elected, he pledges to repatriate 3m immigrants within seven years.

Robert Hue, 48, the Communist party candidate, is widely credited with humanising and improving the image of the extreme left, to the point where his rating in the opinion polls now puts him in fifth place with about 9 per cent of the vote.

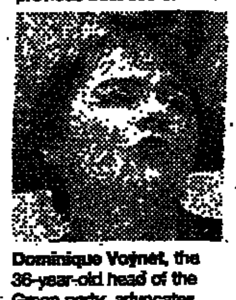
He advocates renationalisation of companies privatised since 1986, new rules of credit favouring small and medium-sized companies, and a substantial increase in the minimum wage. He supports a large increase in the wealth tax, more public housing and greater spending on education, training, sport and culture. He also backs the idea of a single, non-renewable seven-year presidential term and – reflecting concern over corruption – greater transparency in the use of public money to support private sector companies.

Philippe de Villiers, the aristocratic Eurosceptic to the right of the political spectrum, is one of the more unpredictable elements in the campaign. This is partly because of his short track record as a national political figure, and partly because he finds himself squeezed between Mr Chirac and Mr Le Pen. He can therefore win and lose votes on both wings of his support.

The 46-year-old viscount thrust himself on to the national stage last June when he won 12.3 per cent of the vote in the European parliament elections.

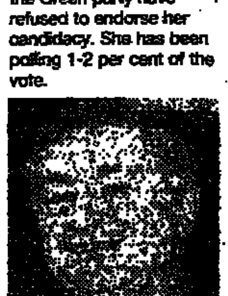
The platform for his new party, Movement for France, ranges from protectionist economic policies to tax cuts and a campaign against corruption. His principal message, however, is opposition to the process of European integration. A nationalist and strong supporter of sovereignty, Mr de Villiers draws much of his support from older, conservative voters and from Gaullists who oppose the Maastricht treaty.

Arlette Laguiller, the leader of the Workers Struggle party, is one of the most colourful faces on the campaign trail. The 55-year-old employee of Crédit Lyonnais, the loss-making state-owned bank, is running for the Elysée for the fourth time in succession. The Trotskyite Mrs Laguiller demands an urgent plan for the defence of workers. She has some cause for optimism. A wave of strikes in support of increased pay reflects a more aggressive stance by the trade unions. More significantly, recent polls have given her 5 per cent of the first round vote, more than double her previous best score.



Dominique Voynet, the 36-year-old head of the Green party, advocates greater emphasis on public transport, the abandonment of French nuclear power and a reduction in the length of the working week.

Ms Voynet's drawback has been the bitter in-fighting within the Green movement. Her rivals in the Green party have refused to endorse her candidacy. She has been polling 1-2 per cent of the vote.



Jacques Cheminade, a former secretary general of the now defunct European Workers party, is the complete unknown of the race, and there is still a possibility that France's constitutional council may question some of the endorsements he needs to qualify.

This 53-year-old ex-Finance Ministry official says he is "an enlightened Colbertist", a reference to Louis XIV's minister who practised massive state protection and subsidy for industry.

Profiles by David Buchan, Andrew Jack and John Ridding in Paris

The country's financial services sector stands to benefit greatly if a deal is struck, writes **Andrew Hill**

More funds in prospect in Italian pension plan

Italian banks and insurance companies are hoping that Italy's agonising progress towards pensions reform will produce at least one concrete result in the coming months: a surge in the number of Italian pension funds.

Such funds are viewed as the white knight of the Italian financial system, riding to the rescue of an overloaded state pensions scheme and a stock market which lacks neutral institutional investors. An increase in demand for pension funds would also provide a rich seam of business for Italy's financial services sector – and for foreign competitors eager to exploit an underdeveloped market.

The optimists may still have to wait for deliverance. After raising hopes of an early compromise, the government indicated this week that a deal would not be done before the April 23 regional elections. If a deal is struck, it could well include measures to encourage establishment of pension funds by promoting a choice of products and fund managers and eliminating fiscal handicaps.

At the moment, the state system operates on a pay-as-you-go basis. Workers pay contributions into the INPS pensions institute, which pays out to pensioners. But the INPS is under strain because of the relative growth in the number of retired people compared with workers, and the excessive generosity of the system (those with 40 years of payments, for example, can retire on a pension worth 80 per cent of their salary, the highest level in western Europe).

One obvious solution would be to encourage the growth of alternatives, such as company pension funds or personal pension and savings schemes. At the moment, Italian workers have limited options if they want to top up a shrinking state pension. Certain large companies, such as the Montedison industrial group, already operate their own schemes, as do some professional associations, but total funds amount to less than 2 per cent of the assets of US pension funds, for example.

In addition, all workers pay a certain percentage of their salary into special tax-exempt company funds – known by the acronym, TFR – which pay out lump sums to workers when they leave the company.

Attempts to reform the system in 1993 backfired because of threats that heavy taxes would be levelled on pension fund payments. Since then the "temporary" suspension of the 15 per cent tax has been extended but the threat itself has never been lifted.

Under the latest government proposals, however, the tax would finally be abolished, and companies would be encouraged to use part of the TFR contributions to set up genuine pension funds.

The government has also proposed opening the market for management of such funds to banks and securities houses. This sparked an immediate reaction from insurance companies, which had long claimed the territory as their own and were irritated at the implication in some reports that they were being excluded from fund management altogether. "Insurance companies can't be excluded from this task, because it's exactly their business," said one insurer yesterday.

In fact, the government seems intent on encouraging competition between various types of fund manager, and both banks and insurance companies now seem to believe that there is plenty of room for their differing approaches.

As one senior Italian banker pointed out yesterday, banks and insurance companies already co-operate in the distribution of policies through bank branches, and shareholder links between quoted banks and insurers are strong, so there is more reason for co-operation than for cut-throat competition.

The same banker believes a strong Italian fund management industry could develop within the next five years, in tandem with a privatisation programme which the government hopes will encourage direct share ownership by individuals, and generate opportunities for the funds themselves to invest. At the moment less than 10 per cent of the average Italian household's financial assets are entrusted to institutional investors.

Talking to the Italian parliament's privatisation committee earlier this week, Mr Lamberto Dini, the prime minister, described pension funds as "a one-off opportunity" to accelerate the growth of Italy's financial markets.

His confidence may be premature, given that the survival of the government is itself delicately balanced on the issue of pensions reform. But, with the latest proposals, Mr Dini has at least widened the number of potential fund managers who have an interest in seeing the project survive.

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Poland presses case for EU entry

By Lionel Barber in Brussels

Poland stepped up its campaign for early membership of the European Union with a request for a seat at the 1996 inter-governmental conference on the future of the EU.

Mr Jozef Oleksy, the new Polish prime minister, yesterday presented the demand during a meeting with Mr Jacques Santer, president of the European Commission, who offered a lukewarm response.

Poland's attempt to win at least observer status at the 1996 conference marks a bold, though possibly futile gambit to ensure that the IGC becomes a conference on eastern enlargement.

The move reflects concern among the new democracies in central and eastern Europe that their accession negotiations risk being delayed by internal EU wrangling which could push the end of the conference well into 1997.

The IGC remit is more narrowly focused on a review of the operation of the Maastricht treaty. But it may also consider how to organise a Union of up to 25 members, including streamlining the Commission, extending the fledgling EU defence and foreign policy, and, most likely, changing the voting weights of large and small states.

Already, Brussels insiders are betting that divisions within the UK Conservative party over European integration are so deep that there can be no agreement until after the British general election, due by April 1997. However, one senior EU diplomat predicted that the IGC would be "long, slow, and small".

Throughout his two-day trip to Brussels, which also included a visit to Nato to press the case for early membership of the alliance, Mr Oleksy conveyed the impression of a man in a hurry.

In talks with Mr Santer, his shopping list included requests for better market access for Polish agriculture products, curbs on EU anti-dumping, and an invitation to the EU summit in Cannes in June.

Mr Santer listened politely, but pointed out that the invitation to Cannes was a matter for the French presidency of the EU. Participation in the 1996 IGC was a matter for the Union's 15 members. "We don't think it is very likely," said an aide.

Mr Oleksy said Poland had long been ready to join the EU, adding that the horizon of 1999-2001 for membership had come up in his conversation with Mr Santer.

But the Commission is refusing to commit to a firm timetable. Instead, it is reversing the burden of proof through an upcoming White Paper which will set out an exhaustive list of legislative and technical steps for the aspirant countries to adapt their economies to the single market.

The White Paper covers all six associate EU members: Poland, Hungary, the Czech Republic, Slovakia, Bulgaria and Romania. The three Baltic states and Slovenia will shortly become associate members and qualify for similar treatment. A similar White Paper on the question of agriculture is due to come out later this year.

Mr Oleksy said Poland was committed to early Nato membership and joining the EU could not be a substitute. He acknowledged, however, that there was a risk of western countries backsliding on their commitment to Nato membership as they weighed the financial costs and the political risks of extending military guarantees beyond the present alliance membership.

Warsaw calls for changes in CAP

Poland warned yesterday it could not join the European Union without significant reform of the common agricultural policy, writes James Harding in Warsaw. The call by Mr Ryszard Smolarek, state secretary for agriculture, adds to pressure from within the Union for a comprehensive review of farm policy at next year's intergovernmental conference.

His comments followed a speech by Mr Roman Jagielinski, Poland's farm minister, criticising the impact of EU policy on on Polish farming. Closer ties with Europe had had the opposite effect to the intentions expressed in Poland's association treaty with Europe, he said. Subsidised EU imports had been heavily responsible for a decline of more than 25 per cent in Polish agricultural output since 1990.

NEWS: EUROPE

EUROPEAN NEWS DIGEST

Plastics cartel fines annulled

The European Court yesterday annulled Ecu33.15m (£27.4m) in fines against 10 members of a plastics cartel on the grounds of European Commission incompetence. The European Court of First Instance ruled that changes in the wording of a Commission decision, after it had been announced, had "breached the principle of inalterability of measures". It described as well-founded the pleas put forward by chemical companies, which alleged a lack of competence and procedural irregularities in imposing the fines.

The ruling was the second to annul fines on cartels for procedural reasons. In June last year the European Court of Justice dismissed fines against 14 members of a PVC cartel because of discrepancies between the English, German and French texts of the Commission's decision. On that occasion the Commission reimposed the fines using the correct procedure. A Commission spokesman said yesterday it had not yet decided whether to do the same for the fines against the low density polyethylene producers. But the chemical companies will anyway gain about Ecu15m in interest that has accrued on the fines since they were imposed in 1988. *Jenny Luesby, London*

Berlin restitution ruling

A German court yesterday ruled that a Jewish family that had been denied the right to regain its property in the heart of Berlin could claim full restitution or compensation. The decision, made against the German government, is likely to set a precedent for the thousands of former property owners who are seeking similar rights in an area along the former wall in east Berlin. It could also hold up a huge investment project close to Checkpoint Charlie, since the heirs of the former Jewish owner are claiming full restitution.

All property along the wall which divided the city had been placed under the German state after reunification in 1990 on the grounds that it had belonged to the east German defence ministry. No restitution or compensation was allowed, although there was an exception made for former Jewish owners. However, the German government had not given some property back to former Jewish owners on the grounds that the property had allegedly not been confiscated by the Nazi regime for reasons of race. The court yesterday rejected these arguments. *Judy Dempsey, Berlin*

Turkish diplomats 'in N Iraq'

Mr Hikmet Cetin (left), Turkey's deputy prime minister, said yesterday that Turkish diplomats were in northern Iraq trying to broker an agreement between the two main Iraqi Kurdish leaders. He said the Turkish troops in the area would leave "within weeks" but declined to give a specific date. After meeting Mr Douglas Hurd, UK foreign secretary, in London, Mr Cetin said the Turkish army had made their incursion last month because Kurdish separatists from Turkey had set up bases in an area vacated by Iraqi Kurdish forces when their leader, Mr Masoud Barzani, sent them south to confront those of his rival, Mr Jalal Talabani. Mr Cetin denied that Turkey had justified its operation as one of "hot pursuit". It was necessary, he said, because there was no Iraqi government capable of enforcing order on the Iraqi-Turkish frontier. Turkey was urging Iraq to comply with all UN resolutions, including No 688, which calls for dialogue and an end to repression of the Kurds so that sanctions could be lifted and normal conditions restored throughout the country. *Edward Mortimer, London*

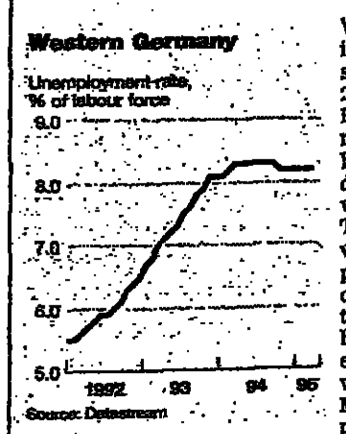
Malta joins Nato peace pact

The Maltese parliament voted to join the Partnership for Peace initiative yesterday, at the end of a three-day debate in which the opposition Labour party warned that the country's neutrality could be at risk. Dr Eddie Fenech Adami, Maltese premier, tabled the motion to join following a Nato invitation. The PFP pact envisages co-operation between signatories and Nato, including military exercises.

One of the most vocal critics of the move was the island's former socialist premier, Mr Dom Mintoff, now an opposition backbencher, who revealed that Libya and North Korea had secretly pledged to come to the island's military assistance in 1979 in the event that Britain refused to dismantle its military installations on Malta. *Godfrey Grima, Valletta*

ECONOMIC WATCH

More W Germans jobless



West German unemployment increased in March on a seasonally adjusted basis to 2.53m people from 2.52m in February, keeping the jobless rate at 8.2 per cent. Economists had expected a decline but saw a rise in job vacancies as encouraging. Total German unemployment was down to 3.67m people (9.6 per cent) from 3.83m (10 per cent) in February, largely due to seasonal factors. The Federal Labour Office said east German unemployment was 1.06m (14.2 per cent) in March, down from 1.11m (14.8 per cent) the previous month. Mr Bernhard Jagoda, head of the Labour Office, said the reduction in employment experienced over three years in west Germany had probably ended. The unadjusted jobless rate for west Germany was 8.5 per cent against 8.8 per cent in February. Mr Julian Jessop, economist at HSBC Markets, said the higher west German adjusted figure, taken with weakening business confidence, "suggests the tax increases and the firmer D-Mark are taking the edge off the recovery". *Andrew Fisher, Frankfurt*

■ Average European Union unemployment was a preliminary 11 per cent in February, unchanged from the same month a year earlier, Eurostat said. Danish unemployment fell slightly to 10.6 per cent of the workforce in the month compared with 10.7 per cent in January, according to seasonally adjusted figures released by Danmarks Statistik.

■ Greek consumer price inflation slowed to 10.3 per cent year-on-year in March from 10.4 per cent in February. March's CPI rose 2.9 per cent month-on-month.

Wary deputies approve Ukraine budget

IMF uncertain whether requirements for loan have been met

Ukraine's parliament yesterday gave final, grudging, approval to the government's 1995 budget, in a move intended to open the door to a $1.8bn (£1.11bn) International Monetary Fund stand-by loan agreed last month, writes Matthew Kaminski in Kiev.

However, the IMF was uncertain last night whether the budget met the requirement to hold the deficit to 7.3 per cent of gross domestic product. IMF approval of the loan deal was delayed until the parliament acted.

Doubts stem from the deputies' rejection of a stabilisation tax. Without this the government must find an extra 160,000bn karbovanets (about £758m) in expenditure cuts, which represents about 3.5 per cent of Ukraine's GDP.

The government had reportedly located 50,000bn karbovanets in cuts last night and is searching for another 110,000bn karbovanets outside social spending.

Most deputies yesterday attacked the budget for cutting social protection and agricultural subsidies, before approving the document by 238 to 53. The wide margin did not reflect support for the government's IMF-sanctioned austerity programme as much as behind-the-scenes political deals.

At the session's start Mr Oleksander Moroz, the Socialist chairman of the parliament and the president's occasional political adversary, read a statement from President Leonid Kuchma. "Either we achieve consensus and create conditions for reform or our economy will again fall victim to hyperinflation," the president's statement said.

After calling the budget "below any criticism", Mr Moroz urged passage to win IMF and other western aid. Deputies, as in key votes in the past, heeded his advice. Earlier this week they showed their true feelings by voting to oust the cabinet in protest against reform measures.

Parliament also reserved the right to open the budget quarterly. The IMF stand-by loan will also be released quarterly, to monitor spending.

The budget envisages a 7.3 per cent fiscal deficit (about $2.4b), which includes external debt servicing. More than half the deficit will be financed by printing money.

The IMF deal is needed to help cover a $5.5bn balance of payments gap created mostly by mounting bills for energy imports. Any further delay in approving the budget might have forced the IMF to scrap the current deal and renegotiate.

The IMF hopes Ukraine will achieve partial stabilisation this year by bringing inflation down from a relatively low 11.4 per cent in March to 1 per cent a month by the end of the year.

MEPs see red over threat to EU wine lake

By Emma Tucker in Strasbourg

Europe's MEPs, with a poor reputation for attendance at the Strasbourg parliament on Thursdays, were yesterday "about 100 over quota" in the words of one official for a vote on an emotional subject: wine.

The gathered representatives were there to support amendments to tone down proposals from the European Commission aimed at cutting the European Union's wine lake.

Never mind that the EU's surplus is now running at about 35m hectolitres, or nearly a fifth of total production; never mind that increasing quantities of low-quality wines are being produced in southern Europe for the sole purpose of collecting EU subsidies; never mind that consumption is falling. The message to the Commission was meddle with our life-blood at your peril.

"I would like to remind you in the words of Baudelaire that if wine disappeared from human production, it would leave an abyss in human health and intelligence," said Ms Astrid Lulling, the Luxembourg Christian Democrat MEP.

The Commission has tentatively suggested that Europe's wine-makers should be offered a range of financial incentives not only to "grub-up", or permanently abandon wine production, but to increase the quality of wine. Without reform, says the Commission, the EU would spend Ecu1.5bn (£1.2bn) in 1995-96, more than half of it on distilling surplus wine for sale as car fuel to the US.

It did not wash with the parliamentarians, who voted for a more gradual approach to balancing the wine market and in favour of alternatives to grubbing up vineyards – such as assistance for better marketing.

But the MEPs were not without their own differences. As Mr Giulio Fantuzzi, leading the debate on behalf of the parliament, said: "It is difficult for Europe of a thousand wines, let alone cultures and traditions, to speak the same language."

So it was that a proposal to improve wine quality by limiting the amount of sugar that can be added for alcohol enrichment pitted north against south. "You cannot balance the market by practically outlawing the wine-makers of the north," said Mr Werner Langer, a German Christian Democrat, who reminded his Italian and Spanish colleagues that sugar enrichment was integral to the traditions of wine-making in France, Germany, Luxembourg and Austria.

The appeals from the north were heeded. MEPs voted to modify Commission targets for sugar enrichment – good news not only for the powerful Moselle producers of Germany and Luxembourg but also for Britain's fledgling wine industry, which had rather a good day.

By waving a bottle of the UK's finest "cru" in front of his colleagues, and reminding them that it was produced in a vineyard only twice the size of the chamber, Mr David Hallam, Labour MEP, won support for an amendment that exempts countries producing less than 50,000 hectolitres a year – an amendment which, if accepted by the Commission, leaves room for UK production to more or less double before it must comply.

The Commission, under EU law, can ignore parliament's proposals if it chooses. But with the passions of Europe's democratic representatives so aroused, it would surely be treading a dangerous path to do so.

"'In vino veritas,' said the Romans, and they were right," concluded Mr Fantuzzi. "To your good health Monsieur le President and to yours Monsieur le Commissaire, and to yours, chers collègues."

NEWS: WORLD TRADE

Earthmovers ride a rough currency road

By Andrew Baxter

Thousands of visitors from countries with weak currencies this week imbibed the atmosphere at the triennial Bauma construction equipment show in Munich aware that the D-Mark was making a bigger than usual hole in their pocket.

The construction equipment producers exhibiting at the show are also trying to ride through currency fluctuations without falling out of their cabs. "We're equipment suppliers, not currency traders," said one producer.

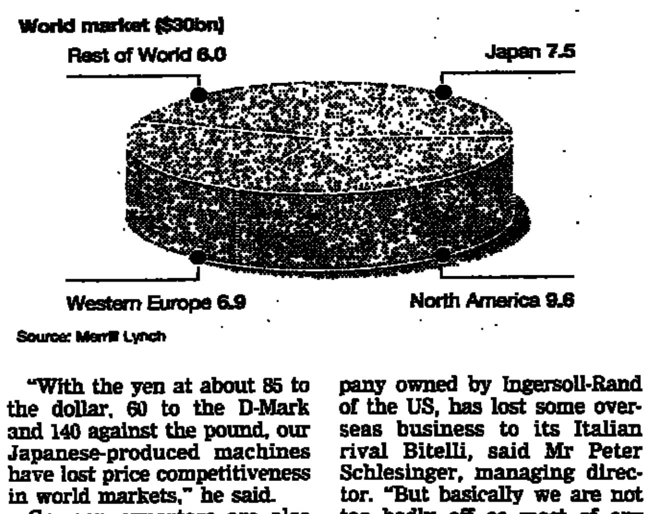
The losers to the currency changes, exporters from strong currency countries such as Japan and Germany, are redoubling efforts. Weak currency countries – the US, UK, Sweden and Italy – are making extra money while they can.

Since 1985, the strength of the yen has been a huge problem for Japanese producers, prompting them to set up manufacturing plants in Europe, the US and the Far East or to co-operate with producers in weak currency areas.

This week, Manchester-based Fermec Holdings announced it would make mini-excavators for most of the world's markets under licence from Japan's Kobe Steel. "Right from the start, we are going for 90 per cent-plus European components," said Mr Richard Robson, Fermec's managing director. "It's the strength of the yen that has done that."

Komatsu, the largest Japanese producer, has made the biggest effort to internationalise production. But it still needs to accelerate output and broaden the product range from plants in the UK, US, Brazil and even Germany, said Mr Kazuhiro Aoyagi, president of Komatsu Europe International.

Construction and earthmoving equipment



Source: Merrill Lynch

"With the yen at about 85 to the dollar, 60 to the D-Mark and 140 against the pound, our Japanese-produced machines have lost price competitiveness in world markets," he said.

German exporters are also feeling the pinch. ABG, the road-building machinery company owned by Ingersoll-Rand of the US, has lost some overseas business to its Italian rival Bitelli, said Mr Peter Schlesinger, managing director. "But basically we are not too badly off as most of our other competitors are German too." ABG exports mainly to Asia, the Middle East and Europe, but Mr Schlesinger said a stronger dollar – perhaps at DM1.50 to DM1.60 against the recent low of about DM1.34 – would be the key to improving its export competitiveness. "I can't believe the dollar will stay where it is," he said. "It is undervalued."

The winners are benefiting in a number of ways. Fermec's skid-steer loaders are doing very well in Germany, an important market for these small, multi-purpose machines, said Mr Robson.

New markets in Asia are being created for the backhoe loader, the classic UK machine pioneered by JC Bamford (JCB) and also produced by Fermec. For some applications, said Mr Robson, they are an alternative to Japanese-produced excavators.

But even the winners can be losers in some markets. The weak dollar makes it harder to sell UK-built backhoe loaders in the US. "It's not a disaster at $1.60 to the pound but $1.45 to $1.50 would be better," said Mr Robson.

Most winners acknowledge the help they have received from currency changes. At Volvo Construction Equipment (formerly VME), plant closures and retrenchment have concentrated two-thirds of its production capacity in Sweden.

"We are profitable now, but we would be fooling ourselves if we did not acknowledge that is partly because of the weak Swedish krona," said Mr Tuve Johannesson, chief executive.

Increasingly, producers are buying components in weak currency countries, notably Italy, to offset the difficulties of selling machines there. This partly insulates the industry from big currency swings, whether negative or positive.

Raising the forecasts above mere guesswork

Bank studies bring rigour to gauging consequences of the Uruguay Round, writes Guy de Jonquières

Gauging the economic consequences of the Uruguay Round, and which countries, regions and industries stand to benefit most, has been a favourite pastime among trade experts since negotiations were completed almost 18 months ago.

Scenarios have ranged from upbeat forecasts that everyone will win, to warnings that the impact will be uneven and will lead to few, if any, gains for the world's poorest countries.

All such estimates involve some guesswork. However, the World Bank has recently injected rigour into the exercise by publishing the first set of studies based on a detailed analysis of the 26,000 pages of formal commitments governments gave in the round.

The studies conclude that the importance of some of the round's supposed achievements has been overrated, but that other provisions will yield more positive results than many observers expected.

The bank's deepest scepticism is directed at agricultural trade. Professor Alan Winters, head of its international trade division, said the studies revealed "a strong divergence between the rhetoric of the Uruguay Round and what actually happened".

Though the round has subjected agriculture to multilateral trade rules for the first time, the bank says it will do little to open markets. That is because governments limited their obligations to liberalise by engaging in a form of legalised cheating.

They agreed to convert all non-tariff barriers into tariffs, which have been "bound" at levels which cannot be increased and are to be lowered over several years. However, the scheme starts from a base period, 1986-1988, when worldwide farm trade protection was generally high – in some cases two or three times greater than the average between 1979 and 1993.

Governments won further leeway by setting tariff ceilings which often provided for greater protection than the barriers they replaced. The difference is almost 70 per cent for EU wheat imports – and more than 1,000 per cent for US meat imports.

Japan was one of the few countries to set most tariff ceilings lower than existing barriers. But these were already so big that Japanese protection will remain high even after liberalisation takes effect.

Although governments may cut tariffs faster than required by the Uruguay Round, the formal liberalisation schedule will leave the maximum permitted levels of protection on numerous products in many countries higher in the year 2000 than in 1986-88.

The impact of the deal was further blunted by governments' failure to cut deeply export subsidies for leading commodities. Nonetheless, the bank says, the round made protection more transparent and should help stabilise world prices – even if it does not change them much.

That should reassure developing countries, many of which are worried the Uruguay Round will drive up world food prices and hurt their farmers. Prof Winters said that outcome was unlikely.

The World Bank also challenges recent claims that developing countries will benefit less from the round than industrialised ones. It concludes that although gains by the former will be smaller in total, they will represent a larger proportion of their national income.

Developing countries would have done even better if they had agreed to open their markets more widely, because the more tariffs were cut, the bigger the boost to national income. "If you didn't agree to liberalise your market, you won't get much out of the Uruguay Round," Prof Winters said.

The Bank says many of the benefits to industrialised countries will come from dismantling the Multi-Fibre Arrangement (MFA), which has long sheltered their markets from textiles and clothing imports. By 2005, the gains to the US and EU should total almost $60bn.

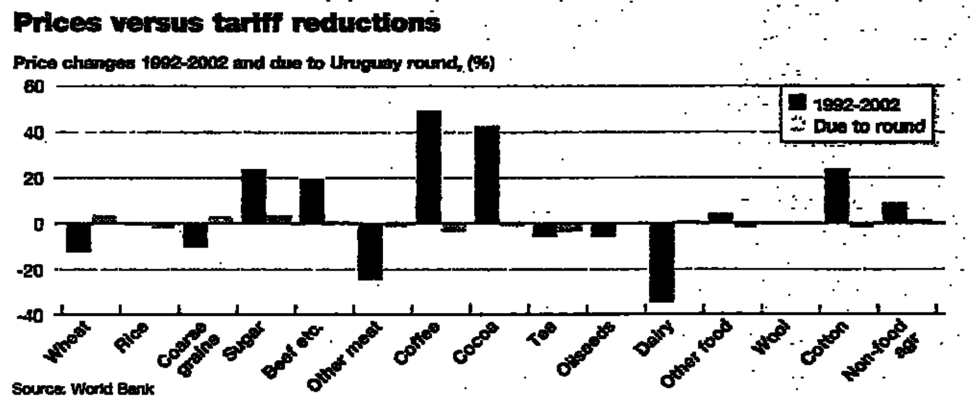
Some observers doubt whether industrialised countries will ultimately remove all MFA barriers, but Prof Winters was confident the plan would open up markets because it obliged countries steadily to increase the size of quotas left in place.

However, he was more cautious about prospects for liberalisation of trade in services. Though the round agreed a broad framework and some basic rules, agreements in important sectors such as financial services and telecommunications have yet to be negotiated.

Prof Winters said the talks were hindered by the negotiating approach, which allowed countries to designate the services they were prepared to open to international competition, rather than those they wanted to protect.

● *Studies obtainable from Mrs Nellie Artis, Room R2-015X, The World Bank, 1818 H Street N.W., Washington DC 20433. Fax: (202) 676 1341.*

Prices versus tariff reductions



Source: World Bank

Fujitsu links up with Samsung

By Michiyo Nakamoto in Tokyo

Fujitsu, the Japanese electronics group, and Samsung of South Korea have concluded a cross-licensing agreement to share technology for liquid crystal displays.

The deal between a Japanese electronics maker and a rival South Korean manufacturer highlights the growing competition in the nearly Y1,000bn ($11.63bn) LCD market and the increasing presence of South Korean companies in the high-technology sector. LCD panels are used widely in portable electronic products such as personal computer notebooks, car navigation systems and video games.

Under the agreement Fujitsu will provide Samsung with its wide angle viewing technology, which overcomes the problem of clearly viewing LCD screens from a relatively restricted angle.

Samsung will provide Fujitsu with high aperture ratio efficiency coating technology, which enables the LCD panel to remain bright even at low power consumption.

The agreement comes as LCD manufacturers have been increasing investments in production facilities to meet forecast demand.

The LCD market, which has been expanding strongly for several years, is expected to grow from Y945.5bn in fiscal 1994 to Y1,150bn this year and Y2,220bn by 2000, according to Kleinwort Benson, the securities company.

Japanese companies dominate the market. Sharp is the world's largest producer. In line with expected growth in the LCD market, the Japanese have been investing aggressively to increase production capacity. Sharp is building the world's largest LCD facility in Japan, while NEC, Toshiba, Matsushita and Hoshiden are all expanding domestic production.

South Korean companies are also moving aggressively into LCD production which has similarities with semiconductor production, an area where the country's electronics companies have begun to compete strongly with the Japanese. Samsung has recently set up a high-volume LCD manufacturing facility in South Korea.

Fujitsu, a latecomer to the LCD market, aims to improve its competitive position through its links with Samsung. It began producing LCD panels in Japan last March and the 15,000 10-inch panels it makes have been used in-house. The company is planning to increase output to 100,000 11-inch panels per month next year and to start marketing the panels on a commercial basis.

● Fujitsu and ICL are launching products under a joint brand name to try to capture 10 per cent of the south-east Asian personal computer market in the next three years, company officials said. Fujitsu owns 84.4 per cent of ICL. This year the companies aim to sell 500,000 units worldwide.

WORLD TRADE NEWS DIGEST

Doubts at Boeing on superjumbo

Boeing of the US has added to the scepticism surrounding prospects for a new generation of passenger jets carrying more than 600 people. Mr Larry Clarkson, senior vice president, said: "There's a demand for a very large commercial transport, but not sufficient in the near term to launch such a programme. In my personal opinion, I doubt this project will be launched in the next two years, given the amount of money that would have to invested."

The company's statement follows warnings from Mr Jean Pierson, managing director of Airbus, the European consortium, that the market for a new large jet is too small to make its launch feasible. Mr Pierson said that only British Airways and Singapore Airlines had expressed an interest in the aircraft. Airbus and Boeing are carrying out a joint study on the feasibility of such an aircraft. They are due to report their findings in June. *Michael Skapinker, Aerospace Correspondent*

Afghan smuggling talks fail

Pakistan and Afghanistan have failed in a week of talks to reach agreement on curbing the flow of smuggled goods from Afghanistan into Pakistan. The talks – to renegotiate a 1969 bilateral transit trade agreement due to expire in September – ended without resolution.

Pakistani officials said many Afghan traders abuse the existing transit agreement, which allows them to bring goods into Pakistan duty-free provided they are then transported to Afghanistan. Millions of dollars worth of goods either never enter Afghanistan or are smuggled back into Pakistan.

Economists estimated that transit trade accounts for 50-60 per cent of all smuggling into Pakistan.

Imports ostensibly destined for Afghanistan rose to Rs11bn ($360m) between July and December 1994 from Rs5.3bn in the same period the previous year. In the last half of 1994, traders imported 38,000 refrigerators, ostensibly for Afghanistan, up from 5,000 in the same 1993 period.

Pakistan has seized a large number of items in the port of Karachi, saying the imports did not match the requirements of the war-battered country, where there is no electricity. *Farhan Bokhari and Reuter, Islamabad*

Canadian finance initiative

Canada's Export Development Corporation is moving into equity partnerships with exporters and lenders, extending its traditional loan guarantees and export insurance. It is forming CRJ Capital as a joint venture with Bombardier, the aerospace and transit equipment group, to support sales of the 50-passenger Canadair Regional Jet.

CRJ is a model for several specialised financing joint ventures. It will buy up to 30 per cent of each new Regional Jet, whether marketed in Canada or abroad, and then syndicate the remainder to private sector lenders and lease the aircraft to airlines. This will make financing for such exports more competitive. Smaller regional airlines, potential customers for the Regional Jet, will obtain financing at lower rates and the EDC will reduce its risk. *Robert Gibbens, Montreal*

■ Nuovo Pignone, the Italian mechanical engineering group now controlled by General Electric of the US, has won a contract from Phillips Petroleum for the supply of four gas turbocompressor units for the Ekofisk oil platform in the North Sea. Nuovo Pignone said it had won contracts worth more than L120bn ($70.7m) from North Sea operators, including Norsk Hydro and Statoil of Norway, in the last 10 months. Nuovo Pignone, which specialises in plant for the oil, gas and petrochemical industries, used to be controlled by Eni, the Italian state energy and chemicals group, which still holds a residual 19 per cent stake. GE now owns 81 per cent of the company having bought a majority stake in 1993 in the first phase of Italy's ambitious privatisation programme. *Andrew Hill, Milan*

■ Borealis, the petrochemicals joint venture between Norway's Statoil, Finland's Neste and the government of Oman, is planning participation in a $700m project for construction of an ethylene cracker in Oman. The cracker will have output capacity of 260,000 tonnes a year. The project also includes construction of two polyethylene plants. *Hilary Barnes, Copenhagen*

■ Poland's largest tractor producer, Zaklady Mechaniczne Ursus, hopes to double production to 28,000 tractors in 1995 and plans to export nearly 70 per cent of them. *Reuter, Warsaw*

■ BTR Nylex, the Australian arm of UK conglomerate BTR, plans to spend A$17.4m ($12.7m) to enter a joint venture in a mould factory complex in Tianjin province, China. BTR will take up a 70 per cent stake in the venture from the other partner, the Tianjin First Bureau of Light Industry. The factory, in Tianjin city, makes moulds used for manufacturing glass containers. *Reuter, Melbourne*

■ CAE, a leading Canadian-based international electronics group, will supply two full-flight simulators to PT Garuda Indonesia. One simulator is for MD-11 aircraft and the other for the Boeing 737-400, plus two visual systems, for delivery early in 1996. *Robert Gibbens, Montreal*

■ Swedtel, a subsidiary of Sweden's state-run Telia, has applied to the Philippines' Securities and Exchange Commission for a permit to establish a local branch, Telia Swedtel Philippines. Telia recently took a 10 per cent stake in Digital Telecommunications Philippines, which operates a phone network on Luzon, the most populous Philippine island. *Reuter, Manila*

■ South Korean shipyards won orders for 34 ships weighing a total 1.24m gross tons in the first three months of 1995, against 33 ships weighing 1.01m gross tons a year earlier, the Korea Shipbuilders' Association said. All but one were for export. The association said 24 ships weighing 861,243 gross tons had been built in the quarter, against 18 weighing 857,913 gross tons. *Reuter, Seoul*

■ NEC of Japan said it had received Y38bn ($439m) in contracts to install telecom networks in the Philippines and Indonesia. Under a Y35bn contract with Digital Telecommunications Philippines, NEC will provide digital exchange equipment and micro communications systems to set up 366,000 phone lines on Luzon island. In a Y3bn contract with PT Telekom of Indonesia, NEC will provide exchange equipment and optical communications systems to install 78,000 phones lines in Surabaya and surrounding areas. *Reuter*

Menem urged to veto patent law

By David Pilling in Buenos Aires

President Carlos Menem is facing increasing pressure from Washington to veto patent legislation recently passed by Argentina's Congress.

The US, which has made veiled threats to consider imposing trade restrictions on Argentina if the president approves the bill, maintains that the legislation violates General Agreement on Tariffs and Trade rules relating to pharmaceutical patents. Mr Mickey Kantor, the US trade representative, earlier this week described the proposed legislation as "unacceptable".

Washington, which estimates that US pharmaceuticals companies lose $500m a year because of lax Argentine patent laws, is particularly concerned at a stipulation that patented pharmaceuticals be produced in Argentina, rather than allowing companies to import products from elsewhere.

The US also says the legislation offers scant protection for pharmaceuticals developed through micro-organism research, and allows the government too much leeway to grant special production licences to local companies without reaching prior agreement with patent-holders.

Argentina's decision to impose an eight-year transition period before the law comes into effect has also annoyed the US. Gatt rules allow Least Developed Countries a 10-year transition period, but Washington argues that Argentina does not fall into the LDC category. The US says Argentina, whose pharmaceuticals companies patent their products in Europe, should impose legislation immediately.

Mr James Cheek, the US ambassador in Buenos Aires, caused a furore recently when he described the legislation as "befitting countries such as Burundi or Surinam" and said the new bill would not result in a single additional dollar of investment in Argentina.

Although President Menem is keen to maintain friendly relations with the US, particularly in view of Argentina's financial situation after Mexico's devaluation, he cannot ignore the opinions of Argentine Congressmen. Six weeks before presidential elections, Mr Menem may not wish to be seen vetoing legislation at the whim of Washington.

The Argentine pharmaceuticals industry, estimated to be the thirteenth largest in the world, is dominated by local manufacturers, which have a 55 per cent market share.

France and UK soften nuclear arms stance

By Frances Williams in Geneva and Bernard Gray in London

Britain and France have dropped their insistence on being able to test nuclear weapons in exceptional circumstances as part of the talks on a comprehensive nuclear test ban in Geneva. This brings the two in line with the positions adopted by the US and Russia in backing an outright test ban, but leaves China favouring limited further testing.

France's position may be affected by the outcome of this month's presidential elections. President François Mitterrand has favoured a comprehensive test ban and introduced a moratorium on testing; Mr Jacques Chirac, a contestant, has said France may need to resume limited tests.

The UK had previously insisted on the let-out clause to test in exceptional circumstances because it claimed it might need to check the safety and reliability of its nuclear weapons through a test. Now the US has backed a complete ban, the UK would not be able to use US test grounds in Nevada, anyway. Without an alternative test site, retaining the ability to test would be largely academic.

Unlike Britain or the US, France still has work to do on developing its existing generation of nuclear weapons and might find it hard if no further tests were permitted.

Britain is insisting it should be able to continue laboratory experiments and computer modelling to allow it to check on the reliability of its nuclear weapons. Even modelling is opposed by some non-nuclear states, who see that as a way for weapons states to refine their nuclear weapons.

France does not have the same access as the UK to US modelling techniques, so would find it harder and costlier to develop laboratory alternatives to its Pacific test programme.

France might be able to complete a limited series of tests before a comprehensive test ban treaty was completed. Some officials believe the treaty will not be ready for signing for about a year. Once the treaty was signed, testing by either China or France would be effectively prohibited, even if the treaty had not been ratified by all parties.

The concerted effort to achieve a comprehensive treaty is part of a wider campaign by nuclear weapons states to secure an indefinite extension of the nuclear Non-Proliferation Treaty. Renewal of the NPT will be discussed at a conference in New York later this month; many non-weapons states see conclusion of a CTBT as a gesture of good faith by weapons states.

The campaign to back indefinite renewal of the NPT, as opposed to a limited extension of the treaty, has included a restatement of pledges that the nuclear weapons states will not attack non-weapons states. Given that the CTBT is unlikely to be available before the NPT conference ends on May 12, conclusion of the NPT meeting may be postponed until a CTBT is signed.

US left exposed in chill of climate talks

By Haig Simonian in Berlin

Delegates at the United Nations conference on climate change in Berlin were yesterday battling against the clock to agree on a mandate for further negotiations before the meetings close this evening.

The deadlock left the US increasingly exposed, as most developing and industrialised states buried their differences and reported substantial progress on outstanding issues.

The US, backed by Japan, Canada, Australia and New Zealand, opposes any targets or timetables for reducing emissions of greenhouse gases after 2000.

The Berlin conference was called to negotiate a mandate for a further set of talks, which should result in a formal protocol to the UN framework convention on climate change, signed at the Rio de Janeiro Earth Summit in 1992.

Although delegates yesterday agreed to set the next big UN climate change conference in 1997 as their deadline for that protocol, the whole process could collapse if they fail to find a way out of their current impasse. The protocol would extend and toughen the agreement reached between most industrial states in Rio to cut emissions of greenhouse gases to 1990 levels by 2000.

Delegates have been working to find a form of words which would satisfy the demands of developing countries and most developed states for further action without losing the support of the US.

Last night, the most likely solution seemed to be a diplomatic fudge which would maintain specific targets and timetables, but with sufficient flexibility to minimise their impact.

By contrast, the conference was yesterday on the brink of resolving the issue of joint implementation – whereby an industrial country can finance cuts in greenhouse gases in the developing world, which can then be credited against its own reduction quotas.

Delegates agreed to a pilot phase of joint implementation to gain experience. Although the accord marked the climbdown by developing states, which have been hostile to joint implementation, observers noted that the pilot phase would be open-ended, and the credits – the most contentious aspect – would not operate during the pilot.

Although apparently a success for industrialised countries which have long been arguing for joint implementation, the agreement may have left them hostage to the wishes of the developing world. "The developing countries' agreement will be essential to terminate the pilot phase and to bring in a credit system," said one delegate.

Zimbabwe poll will not alter one-party rule

Mugabe's Zanu-PF already has majority, writes Tony Hawkins

Democracy, Zimbabwe-style, goes on display this weekend when voters will give President Robert Mugabe's ruling Zanu-PF another five-year mandate of virtually opposition-free rule. The 71-year-old president is assured of a substantial parliamentary majority even before the polls open tomorrow.

Not only have candidates from Zanu-PF – the party that has ruled the country since independence in 1980 – been returned unopposed in 55 of the 120 elected seats, but the president is able to nominate another 30 MPs, including 10 "traditional leaders" and eight provincial governors, giving him 85 of the 150 seats.

With the disorganised, fragmented and poorly-funded opposition parties in disarray, analysts predict a low turnout in the 55 contested constituencies. Zanu-PF is thus fancied to sweep home with upwards of 140 seats.

The main opposition comes from two small parties; the Forum Party with 24 candidates, headed by a former Chief Justice, Mr Enock Dumbetshena, and Zanu (Ndonga) which is fighting 30 seats. The latter party, led by the Rev Ndabaningi Sithole, who founded the Zimbabwe African National Union in 1963, may capture a few seats in the eastern districts. Independents and a number of small parties are contesting a further 11 seats.

The campaign has been a low-key affair marked by a dearth of serious debate of substantial policy issues facing the country and low-level intimidation by the governing party. Mr Kumbirai Kangai, agriculture minister, set the tone for the election when he warned voters in the eastern districts, where Mr Sithole is expected to pick up votes, that there would be no development in the area if they continued to vote for opposition parties.

Elsewhere, Forum Party officials say their candidates have been harassed by Zanu-PF supporters and prevented from campaigning while one candidate has had his shop picketed by government supporters.

Since the turnout is likely to be both low and unrepresentative, Mr Mugabe, who is not contesting the parliamentary elections but will stand for re-election as executive president in 1996, will have difficulty in claiming that his party's victory constitutes an endorsement of his policies.

In 15 years of Zanu-PF rule, unemployment has risen from less than 10 per cent to 45 per cent while average real wages are at a 20-year low and real per capita incomes today are no higher than in 1980.

That, despite these figures, the opposition should be facing overwhelming defeat speaks volumes for its failure to offer any kind of credible alternative. Those out of office have spent far more time bickering among themselves than forging a coherent, united opposition with an alternative policy. The odds are, in any case, stacked heavily against them: The main media are state-owned, Zanu-PF is able to draw on a government grant of Z$30m (£2.3m) and the enormous state patronage system favours the incumbents.

But no figure of stature has emerged to challenge Mr Mugabe in the presidential poll next year and the signs are that the Zanu-PF political monopoly will be broken only when the president stands down in 2002, or even later.

The party claims to be fighting the election on its track record, especially in the social sphere. It cites the resettlement of 61,000 families since 1980 to support this, though not mentioning the resettlement target of 162,000 families by 1985.

The promises to spend and spend again – on resettlement, job creation, housing, education and health – cannot be reconciled with the pledge to the Donor Consultative Group meeting in Paris last month to cut public spending and reduce the budget deficit. Official numbers published last month show a budget deficit for the first half of the 1994/95 fiscal year of Z$2.9bn, double the targeted 5.5 per cent of gross domestic product for the full year to June 30.

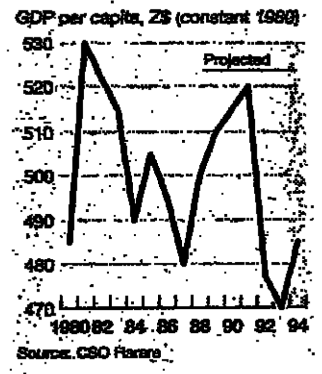
While the government has since imposed more than Z$1bn new taxes in an effort to retrieve the situation, higher taxes are not easily squared with manifesto promises to counter unemployment and deprivation.

Indeed, the first challenge facing the new minister of finance, to be appointed to replace Mr Bernard Chidzero who is resigning on health grounds, will be to restore a semblance of fiscal discipline to the public accounts.

Meanwhile, the government's commitment to a second dose of economic reform when the current structural adjustment programme ends this year has barely surfaced during the campaign.

Zimbabwe

GDP per capita, Z$ (constant 1980)



Source: CSO Harare

Mugabe: opposition is weak

NEWS DIGEST

'End to polio by 2000'

The world is on track to eradicate polio by the turn of the century, according to the World Health Organisation. In a release timed for World Health Day today, the WHO says the number of reported cases of poliomyelitis fell to just 6,241 last year against 35,255 in 1988 when the United Nations agency launched its eradication campaign.

Some 145 countries are now polio-free, the WHO says. The crippling and highly infectious disease is currently concentrated in parts of the Indian sub-continent and central and western Africa.

"We are on line to eradicate the disease by 2000 provided we keep the momentum and concentrate resources on those areas of the world which still suffer from polio," said Dr Ralph Henderson, the WHO's assistant director-general.

The WHO estimates that polio eradication could save up to $3bn (£1.8bn) a year worldwide, enabling countries to discontinue costly vaccination programmes and reducing the need to care for polio victims.

It plans to declare the world polio-free after three years without a reported polio case. *Frances Williams, Geneva*

ILO censures trio

El Salvador, Indonesia and Peru were yesterday castigated by the International Labour Organisation for grave abuses of human rights of workers and trade unionists including murder, torture and arbitrary detentions.

The governing body of the United Nations agency, whose only sanction is public censure, urged the governments concerned to enforce basic worker rights and bring to justice those guilty of crimes against trade unionists.

Complaints against El Salvador brought to the ILO's committee on freedom of association include the assassination and injury of trade officials and members, detentions, dismissals and interference in trade union activities. In Peru trade union organisations have alleged killings, disappearances, detentions, torture, repression of demonstrations and ransacking of union premises.

Indonesia is criticised for violations of trade union rights including suppression of independent trade unions, use of the military to intimidate workers and restrictions on collective bargaining and strike action. The ILO also has reports of disappearances, threats, detention and violence against Indonesian trade unionists. *Frances Williams, Geneva*

Smuggler jailed

Mr Paul Miller, a South African diamond dealer implicated in a gold smuggling scheme from South Africa to Switzerland, has been sentenced to 10 years' imprisonment and fined R350,000 (£60,000) by a Johannesburg court. Mr Miller's role was revealed when Swiss authorities provided information on Swiss bank accounts used in the fraud.

The fraud, which involved spraying millions of rands worth of gold with a silver coating and exporting it as scrap metal to Switzerland, had taken place more than 30 times. It was only stopped when Swiss prosecutors released information on the South Africans' bank accounts after deciding there were reasonable grounds to believe money laundering offences had been committed in that country.

The sentence contrasts with those of two brothers convicted for involvement in the same fraud last March. Mr Keith Stephen and Mr Wayne Stephen served only five months of their sentences before being paroled in exchange for turning state's evidence. *Mark Suzman, Johannesburg*

Iraqi army post

Gen Sultan Hashim Ahmad has replaced General Ayad Ftelh al-Rawi as the Iraqi army's chief of staff, state-run newspapers reported yesterday.

Gen Ahmad appeared in a medal giving ceremony on Iraqi television beside Mr Ali Hassan al-Majeed, defence minister, as the new chief of staff.

Gen Ahmad served as a division and corps commander in the Iraqi armed forces and led the Iraqi side in negotiations with the allied commanders at the end of the 1991 Gulf War over Kuwait. *Reuter, Baghdad*

ASIA-PACIFIC NEWS DIGEST

Hurd and Qian to meet on April 18

Mr Douglas Hurd, UK foreign secretary, and Mr Qian Qichen, his Chinese counterpart, meet for the first time since last September on April 18 in New York, it was announced in Hong Kong yesterday.

The two ministers will be in New York for the nuclear Non-Proliferation Treaty review conference. Their meeting is being billed as part of the gradual restoration of relations between Britain and China. This process is expected to receive a boost with the visit to China by Mr Michael Heseltine, UK trade and industry secretary, next month and by a visit to Britain by Mr Qian, probably this autumn.

The meeting is not expected to lead to any big breakthroughs on Hong Kong. A meeting of the Joint Liaison Group, the bilateral body dealing with the handover, ends in Hong Kong today; all indications suggest little progress.

Britain and China are still at loggerheads over Hong Kong's court of final appeal, despite a 1991 agreement pledging both to setting up the court before China regains sovereignty in 1997. *Simon Holberton, Hong Kong*

Aum followers arrested

Japanese police have arrested three followers of Aum Shinri Kyo, the religious sect named concerning last month's subway gas attack and the shooting of the country's police chief. The members, initially questioned for illegal parking, were later arrested for possessing gun parts.

Tokyo police have geared up to investigate Aum's links to the recent incidents, and are on alert for suspicious-looking vehicles. Aum facilities have been raided around the country. The sect has denied allegations of producing sarin nerve gas, but police have found chemicals in its headquarters at the foot of Mount Fuji. *Emiko Terazono, Tokyo*

Australia jobless rate falls

Australia's unemployment rate fell to 8.7 per cent in March, against 8.9 per cent the previous month, the lowest since February 1991, and breaking the recent series of weaker-than-expected statistics. The labour market appears to be more robust than expected, but few economists believe this will have much impact on short-term interest rate policy, or seriously affect the government's estimates in the run-up to the May 9 budget. Analysts agree the economy has eased from the unsustainable growth rate seen in last year's third quarter, but further slowdown would be desirable. *Nikki Tait, Sydney*

■ Sri Lanka's Public Enterprise Reform Commission is seeking managers and underwriters to arrange the sale of 25 per cent of the National Savings Bank held by the government and central bank. *Mervyn de Silva, Colombo*

■ South Korea's M2 money supply rose 16.5 per cent to Won131,670bn (£105.8bn) in March from a year earlier, provisional Bank of Korea figures show. *Reuter, Seoul*

■ Japanese machine tool orders rose 69.8 per cent in February from a year earlier to the highest since September 1992. *Reuter, Tokyo*

■ Taiwan's consumer prices were 4.18 per cent higher in the first quarter of 1995 than a year earlier. Wholesale prices rose 7.97 per cent. *Reuter, Taipei*

Doubts on Japanese stimulus package

By William Dawkins in Tokyo

Economists in Tokyo were sceptical yesterday whether Japan's divided coalition administration, facing a tough time in local elections on Sunday, had the cohesion or political will to devise an economic stimulus package radical enough to make an impact on the country's huge current account surplus, the main Japanese factor in the yen's strength.

The government is drafting a package which, leaked in draft form to a Japanese news agency yesterday, proposes to bring forward some spending in an existing Y630,000bn (£4,500bn) public works programme, covering the decade to March 2005.

The draft proposes the extension of part of an existing three-year Y5,000bn programme of tax cuts, and calls for work on some of the structural problems constraining Japan's economic growth, such as bank bad debts, high corporate taxes and highly regulated capital markets.

"They have had their chance with deregulation, and the measures were insufficient," Mr Jeff Young, economics analyst at Salomon Brothers Asia, said, referring to a five-year economic deregulation plan launched last week.

"We haven't got the feeling that the authorities understand the importance of structural reform in bringing stability to the currency markets."

Japanese industry's fears that the rise in the yen risks strangling a domestic recovery have started to spread to foreign securities companies.

Salomon Brothers has slashed its forecast of gross domestic product growth for the year to next March from 2.3 per cent to 0.2 per cent. That is based on the assumption that the dollar stabilises at Y82, rather than the Y99.8 at which it started the calendar year, Salomon said.

Goldman Sachs predicts the economy will grow 1 per cent this year at an average exchange rate of Y90 to the dollar, though it is for the time being sticking to its formal forecast of 1.4 per cent.

That compares with the government's official target of 2.8 per cent growth in the current fiscal year, a goal even Japanese officials now privately admit has been lifted out of reach by the yen's rise.

Matsushita: resisting rate cut

So far this year, the Nikkei share price index has fallen 19.8 per cent, partly because of the squeeze on Japanese industry's export earnings imposed by the 17 per cent rise in the yen's value against the dollar.

Mr Yasuo Matsushita, Bank of Japan governor, said yesterday he would watch the impact of the central bank's decision last week to push down money market rates, rather than cut the official discount rate.

The bank is resisting intense pressure for an official discount rate cut, from business leaders and politicians in government and opposition.

Gerard Baker adds: Three of Japan's leading commercial banks yesterday cut their short-term prime lending rates. Since the central bank's policy shift, overnight call rates have fallen from just over 2 per cent to below 1.8 per cent.

Sanwa Bank, Dai-Ichi Kangyo Bank and Mitsubishi Bank will cut their prime rate from 3 to 2.75 per cent from next week. Other banks are expected to follow suit shortly.

The Industrial Bank of Japan and other long-term credit banks also announced their intention to cut their long-term prime lending rates from 4.5 per cent. The banks have not yet published the new rate, but it is expected to move in line with the interest rate on long-term government bonds.

The yield on the 10-year bond has fallen sharply on expectations of lower inflation and short-term lending rates, and is below 4 per cent for the first time in over a year.

The cut in borrowing costs, the first since 1993, is expected to stimulate demand for lending, which has been depressed for the last few years.

Small wave washes over banking system

The image of one more august institution has been tarnished, Gerard Baker reports

The splash from the collapse of two small financial institutions at the end of last year continues to engulf Japan's fragile banking system. In the last week it has broken dramatically over one of the country's largest and most august banks.

Last Friday the president of the Long Term Credit Bank of Japan, the world's 16th largest lender, was forced to resign, taking responsibility for his bank's connections with the two failed companies.

But if officials at LTCB hoped that the resignation of Mr Tetsuya Horie would draw a line under the affair they are likely to be disappointed.

LTCB's woes centre on a web of connections it had with the two credit unions, Tokyo Kyowa and Anzen, and a property developer, EIE International. The two institutions were rescued in December by the Bank of Japan after it was discovered that they had non-performing loans of more than Y120bn (£870m) much of them to EIE.

But what looked at the time like just another example of the gradual clearing away of the detritus of the "bubble economy", the period of rapidly increasing property prices that burst in the early 1990s, has turned out to be much more murky.

As it happened, the president of Tokyo Kyowa, Mr Harunori Takahashi, was also the president of EIE. Many of the loans to his property company, as well as some other real estate-related lending, seem to have been contrary to banking law.

Mr Takahashi is now under investigation for alleged fraud and false accounting, and the authorities are under fire for having spent public money to salvage two highly questionable institutions.

But the full glare of unwelcome publicity has now been turned on LTCB and its close connections with both Mr Takahashi and Tokyo Kyowa.

Mr Takahashi was something of a golden boy in Japanese finance in the 1980s. He presided over EIE at a time when property prices were taking off, and discovered a niche market which was to make him rich quickly.

His focus was on leisure. It was a time when the rapidly enriching Japanese were discovering a taste for the high life, and his ability to snap up land and turn it into golf courses, luxury resorts and hotels was peerless.

As his success grew so did his ambitions, and by the late 1980s Mr Takahashi had become a global property magnate, flying around the Pacific in one of his personal fleet of Boeing 727s.

Much of the funding for his projects came from LTCB, which like all banks at the time was anxious to tap the lucrative property market. By the late 1980s LTCB had advanced Mr Takahashi's EIE more than Y380bn (£2.5bn).

The crash that followed was as spectacular as the boom. Since 1989 property prices in Japan have fallen by more than half. Global property prices have fallen too.

Mr Takahashi was left with hundreds of square miles of half-finished golf courses and LTCB was left with a mountain of bad debts.

In early 1991 the bank took matters into its own hands, sending its own staff to EIE in an effort to recoup some of the bad loans. But by July 1993, the bank's management had decided to cut its losses. In an unprecedented move, it announced it was severing its links with EIE, recording loan loss provisions of Y190bn in the process.

That was the end of LTCB's meaningful connection with EIE. But, unhappily for the bank, it plainly was not the end of EIE itself. Nor was it the end of LTCB's relationship with Mr Takahashi.

EIE was somehow still able to continue operating. Despite the huge losses it was building up in its rapidly contracting balance sheet, it went on receiving deposits. But now the money (on a smaller scale, but enough to keep it afloat) was coming from a different source, the two credit unions. By the end of last year Tokyo Kyowa had lent EIE more than Y30bn, with a slightly smaller sum from Anzen.

These figures were allegedly substantially in breach of the law governing credit associations, which forbids companies from lending more than 20 per cent of their capital to any one company. In Tokyo Kyowa's case the lending to EIE was more than seven times its capital.

LTCB's biggest problems stem from its close links with Tokyo Kyowa. In 1990, LTCB affiliate companies put up more than Y1.5bn to double the credit union's capital. Later that year those affiliates began pouring deposits into Tokyo Kyowa, in the words of a bank official "in order to maintain the credit union's cash flow".

Coincidentally, these deposits with Tokyo Kyowa, at Y37.6bn, were almost exactly equal to the allegedly illegal loans being advanced by Tokyo Kyowa to EIE of Y37.5bn.

These connections raise questions about the bank's involvement with Tokyo Kyowa. But the financial relationship does not necessarily implicate LTCB in any of the alleged wrongdoings by Mr Takahashi and the management of the credit union.

But what does matter is how much LTCB knew about the activities of Tokyo Kyowa and when it knew it. According to Mr Takahashi, in evidence before the Japanese parliament in the past two weeks, LTCB was virtually running Tokyo Kyowa in its last few months. He argued that the capital injected into the bank by the LTCB affiliates gave LTCB *de facto* control. He also claimed the bank had sent a senior manager to advise on business operations and received regular reports from Tokyo Kyowa on the company's performance.

From the outset, LTCB's president, who also testified before the Diet, vigorously denied that it was involved in the management of Tokyo Kyowa or that it knew anything of any alleged wrongdoing. But last week, some of the details of Mr Horie's account began to change. He admitted that some records of Tokyo Kyowa's operations had been checked by LTCB, and that in some respects "you could say LTCB was involved".

Though he continued to deny active involvement in the management of the credit union, last Friday he announced his intention to resign "to take full responsibility" for LTCB's involvement in the affair.

The questions about LTCB's relationship with the management of Tokyo Kyowa rumble on. As yet it is only Mr Takahashi's word against LTCB's about what the bank knew. But the fact that the bank was deeply enmeshed in the activities of Mr Takahashi is beyond question. If his version of events is correct, LTCB may bear some blame for what went wrong.

The affair could be more than just embarrassing for LTCB. Even if Mr Takahashi's statements are found to be incorrect, the bank could find itself facing a growing bill for the reconstruction of Tokyo Kyowa and the compensation of depositors. It has already contributed more than Y20bn towards the Bank of Japan's rescue package. But since the Tokyo metropolitan government, the regulator of the two unions, is refusing to stump up its Y30bn in contributions, pressure is growing on LTCB to fill the gap.

Much worse for LTCB, though, is that in a Japanese financial sector already strewn with the wreckage of ruined reputations, the image of one more once-great bank has been badly tarnished.

Japanese financial institutions unloaded bad loans worth Y1,224.7bn (£8.8bn) last month, bringing disposals in the year to March to Y8,558bn, *AFP reports from Tokyo*. The bad loans were purchased by the Co-operative Credit Purchasing Co, set up by Japanese banks in March 1993 to help lessen the bad debt burden of financial institutions. The agency said it had recovered loans worth Y171.7bn in the year to March.

Philippines seeks fewer bullets with its ballot

Police and army are placed on alert after Ramos calls a referendum on reform, writes Edward Luce

As campaigning begins in earnest for the Philippine national polls in May, the government in Manila has put the police and the army on a state of alert to pre-empt the customary outbreak of violence associated with the country's elections.

In the Philippines elections have been famously characterised as a process dominated by "guns, goons and gold". But President Fidel Ramos, who is halfway through a six-year term as head of state, has repeatedly stressed that the polls in May will be a referendum on the administration's widely praised political stabilisation and economic reform programmes.

On a visit to Europe last month the president reiterated the view that the Philippines' credibility as a magnet for foreign investment partly rested on its recently acquired reputation for political stability.

Mr Bernardo Pardo, head of the Commission on Elections (Comelec), set the tone for the campaign last month when he suspended the right to carry firearms before May 8. So far, however, 119,000 people have requested to be exempted from the ban of which as many as 110,000 – of whom 2,500 are politicians and civil servants – have received permission to continue bearing arms.

Saying there was evidence that as many as 18 "very violent" armed groups and 400 armed gangs still existed in the Philippines nine years after the Marcos dictatorship was toppled, Mr Pardo recommended a heightened state of vigilance before the polls. One congressman was shot dead last month in a Manila suburb.

The commissioner also published a list of governors, senators, civil servants and congressmen thought to possess private armies consisting of groups of young and heavily armed bodyguards hired to intimidate electoral rivals.

Mr Pardo said that the official count of private armies would have been much higher had Comelec included the 6,000-strong communist insurgency that still disrupts civilian life in parts of central Luzon, the Philippines' main island, and the Visayas to the south of Manila.

Wildly varying estimates of the strength of a Moslem separatist army, the Moro Islamic Liberation Front, and its secular rival, the Moro National Liberation Front, which are seeking independence for the people of Mindanao, were also excluded. Recent intelligence reports indicate that the combined strength of the two groups have risen to 40,000.

On Tuesday a gang of 200 armed Moslem separatists killed 43 people and razed four banks in the town of Ipil on Mindanao. The government has taken the incident as a possible warning that separatists are planning to launch a new campaign of violence. Both separatist groups are boycotting the elections.

The candidature of Mr Gregorio Honasan for one of the 12 Senate seats being contested is another uncomfortable reminder that the threat of violence also continues to play a role in the country's political mainstream.

"Gringo" Honasan, as the former army colonel is widely known, led three bloody coup attempts against the administration of Mrs Corazon Aquino in the late 1980s, the last of which claimed 138 lives and damaged part of Manila's business district.

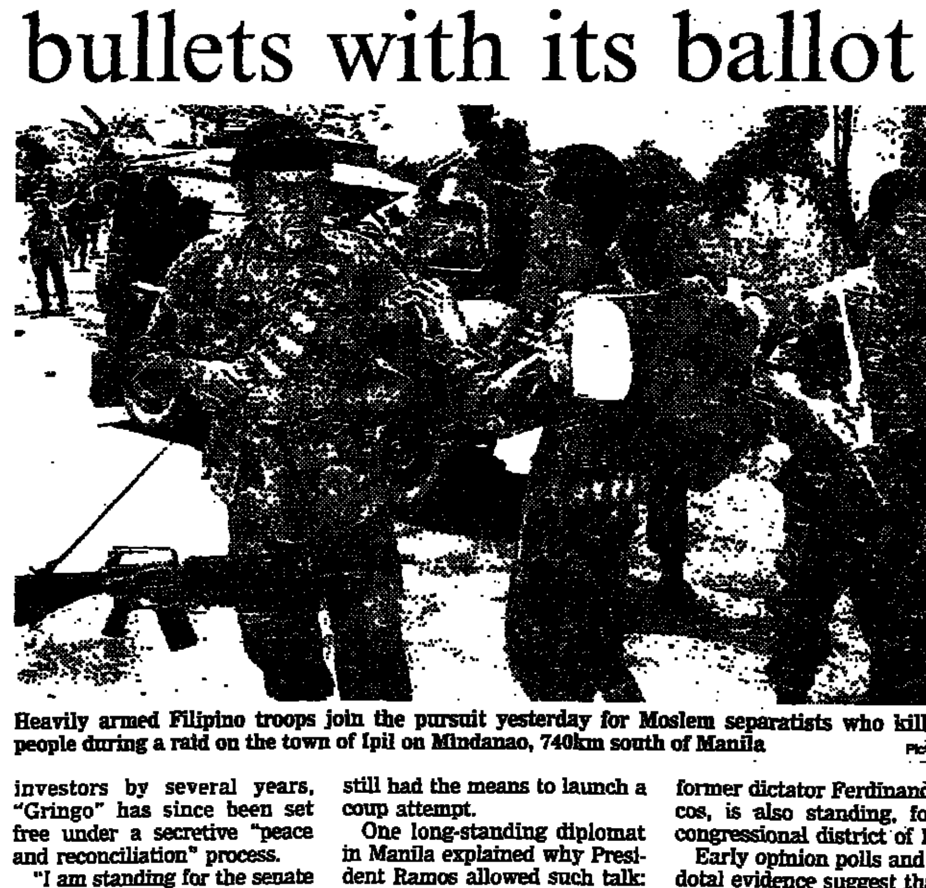
Despite having been accused of setting back the country's improved image among foreign investors by several years, "Gringo" has since been set free under a secretive "peace and reconciliation" process.

"I am standing for the senate to test the democratic legitimacy of this regime," the erstwhile colonel has said.

"Gringo", who is canvassing on a return to "national consensus" and an end to political corruption, has said he is able to command the loyalty of several battalions, implying he still had the means to launch a coup attempt.

One long-standing diplomat in Manila explained why President Ramos allowed such talk: "Of course the government would have little difficulty in quickly rounding them up but the possible damage to the country could be far worse than simply allowing the occasional rogue to be co-opted into the political system." Mrs Imelda Marcos, the widow of former dictator Ferdinand Marcos, is also standing, for the congressional district of Leyte.

Early opinion polls and anecdotal evidence suggest that the ruling Lakas-Laban coalition, which was largely set up by Mr Ramos, is on track to win a comfortable majority of the contested seats in May. Under these circumstances the president can probably afford to rise above the troubling reappearance of ghosts from the past.



Heavily armed Filipino troops join the pursuit yesterday for Moslem separatists who killed 43 people during a raid on the town of Ipil on Mindanao, 740km south of Manila Picture: EPA

Manila plea on monetary target

By Edward Luce in Manila

The Philippine government will seek permission to relax the monetary growth target agreed with the International Monetary Fund last June under a three-year $684m (£427m) reform programme, after figures showed base money growth had seriously breached the IMF limit.

Yesterday's announcement, which follows local criticism of the central bank's high short-term interest rate policy, comes ahead of an IMF review visit to Manila in May, expected to take a tough line on the inflationary potential of rising liquidity in the economy.

The national statistics office said yesterday inflation had increased from 5.1 per cent to 5.8 per cent in March.

Senior government members, including Mr Roberto De Ocampo, finance minister, this week criticised the IMF's monetary growth target of 24 per cent for the year as too restrictive and said it was likely to slow the country's three-year-old economic recovery.

Rapid growth in base money (money held by banks and the public, plus banks' deposits with the central bank) had not pushed the rate of inflation or public spending levels above IMF targets, Mr De Ocampo said, though he admitted base money growth had overshot the limit by 12 per cent.

"I am worried that what they [central bank officials] are mopping up is not excess liquidity but funds needed out there for growth and momentum," Mr De Ocampo added.

Philippines GNP is expected to grow 6.5 per cent in 1995 after increasing by 5.1 per cent last year.

International officials are concerned that the Philippines' much-praised economic performance, rewarded in February when the Paris Club of creditors removed the Philippines from its list of indebted countries eligible for debt rescheduling, could be undermined by government disagreements on monetary policy.

During the IMF's last visit to Manila in December, the government successfully persuaded Fund officials to widen the money base growth target from 16 to 24 per cent.

It argued that a surge of foreign exchange into the Philippines reflected rising international confidence in the economy.

Mr Howard Handy, IMF representative in Manila, refused to say yesterday whether the agency would accede to another request for monetary relaxation.

The IMF is also reported to be worried about the Philippine government's timetable on economic reforms.

A programme to deregulate the energy sector, reduce tariff rates on imports and modernise the country's tax system has apparently fallen behind schedule.

Gingrich aims to reform US income tax

By Jurek Martin, US Editor, in Washington

Mr Newt Gingrich, Speaker of the House of Representatives, took his elation over its passage of the $189bn (£118bn) tax cut bill a stage further by stating yesterday that "the current income tax has to go."

In a TV interview, he expressed some personal preference for a flat rate of income tax over a new consumption tax on value-added lines, but said both should be considered. He described the internal revenue service as "a tax police" that ought to be "dismantled" from its current form.

The speaker is to expound on the achievements of the first 100 days of the new Congress, plus his agenda for the next 100, in a speech tonight which some TV networks in the US will carry live – a privilege usually sought by, and granted to, only the president.

The passage of the tax bill, in the small hours of yesterday by a convincing 246 votes to 188, means that nine of the ten cardinal points of the Republican party's Contract with America have been passed by the House, with only the amendment of legislators' term limits failing. Some 27 Democrats, mostly southern conservatives, joined the tax bill majority: 11 moderate Republicans voted against.

However, the bill faces a very problematic future in the Senate, which has approved only two items in the Contract so far (the congressional responsibility act and the line item presidential veto) and has rejected one - the balanced budget amendment. Senator Robert Dole, the majority leader, said there would be a tax bill in his chamber, but commented tartly: "We didn't get elected just to rubber-stamp everything the House did."

Senator Robert Packwood, Senate finance committee chairman, was even more blunt. He said yesterday the House had put "the cart before the horse". He added: "If we don't move towards a balanced budget, we shouldn't have the tax cuts."

Senator James Exon, Nebraska Democrat, said the Senate was not "as enthused about this crown jewel", Mr Gingrich's appellation for the tax bill. The senator complained that the House bill, with well over half the benefits intended for the better-off, was not exactly "fairness in taxes".

This was the White House line, with Mr Mike McCurry, press secretary, saying the bill "skews the benefits disproportionately to the wealthy."

President Bill Clinton has said he did not want "a pile of vetoes", but left little doubt that he found much of the House bill unacceptable.

Mr Gingrich, however, accused Mr Clinton of merely "counter-punching" and ducking his "obligation to lead" by not offering his own plan to balance the budget.

Main elements of the $189bn bill

A $500 per child tax credit to families earning up to $200,000 annually, with some phasing-out at upper income levels; estimated cost $104.9bn.

Capital gains tax rate cuts, from 28 per cent to 19.8 per cent for individuals, and from 35 per cent to 25 per cent for corporations; cost $31.7bn.

Repeal of the alternative minimum income tax which is meant to ensure that the most wealthy individuals and corporations pay at least some tax; cost $16.9bn.

Indexation of depreciation allowances for investment in plant and equipment; cost $16.7bn.

Eliminating the "marriage penalty" for couples who file joint returns; cost $8bn.

Larger deductions for capital investments by small businesses; cost $7.8bn.

More generous estate and gift tax exemptions: cost $7bn.

Mexico to increase oil output

By Leslie Crawford in Mexico City

Petróleos Mexicanos, the Mexican state oil company, will increase output by 100,000 barrels per day towards the end of this year, in an effort to earn extra dollars for the hard-up government.

This will be Pemex's first big attempt to expand production in many years. Since 1991, output has stayed near 2.7m bpd, of which 1.3m bpd are exported.

Mr Ignacio Pichardo, energy minister, said the extra 100,000 bpd would earn $350m to $400m (£219m to £250m) this year, and up to $1.9bn in 1996. Pemex's oil revenues have declined from $6.78bn in 1992 to $6.07bn last year as a result of lower world prices.

The announcement comes as US Republican Senators Alfonse D'Amato and Frank Murkowski seized on a US Central Intelligence Agency report forecasting a fall in Mexican oil exports, which would challenge the value of oil offered as collateral against the $20bn US rescue funding for Mexico.

Pemex denies its exports will fall over the coming years – a view which appears widely backed by international oil analysts. Mr Rafael Quijano, director of the Washington-based consultancy Petroleum Finance, said: "Mexico has ample oil reserves and is constantly adding new capacity to replace exhausted wells, so it is unlikely that production or exports will fall. With additional investment, Pemex could significantly expand production."

Mr Manuel Ortiz de María, a former head of exploration at Pemex and now a senior official at the energy ministry, says the extra production will come from the Sound of Campeche – Mexico's main oil field – and from new installations in the Ek Balam fields.

However, the energy minister said Mexico would not yield to US pressures to open the oil sector to foreign investment. "Our laws do not permit this, and President Ernesto Zedillo's government has no plans to change them," Mr Pichardo said.

Under Mexico's nationalist constitution, private – and therefore foreign – companies cannot explore for oil or be involved in production. But Mr Pichardo said Pemex planned to make increasing use of "services" from private oil companies. More than half of the 60 wells in the Sound of Campeche were being drilled by private oil companies last year. There being a government-imposed ceiling on its investment budget, Pemex is expected to take an increasingly liberal interpretation of the constitution.

The US Treasury said yesterday its $20bn (£12bn) financial aid to Mexico would not be impaired by a surprise move in Congress to hold up further assistance unless the Clinton administration hands over documents on its dealings with the Mexican government, writes George Graham in Washington.

Mr Robert Rubin, Treasury secretary, said the Treasury was already complying with Congressional requests for documents, so money for the Mexican bail-out will not be cut off.

"The action taken last night by House and Senate members, while cumbersome and unnecessary, will not on its own impair the progress of the aid programme to Mexico," he said in a statement issued yesterday.

Pressure from provincial penury

The debts of Mexico's states are leading to unrest, reports Leslie Crawford

When Mr Alberto Cárdenas won the governorship of Jalisco state in February, he discovered with dismay that Mexico's second-most populous state was bankrupt.

The coffers were empty even before the country's financial crisis had compounded the western state's debt problems. With interest rates quadrupling as a result of devaluation-fed inflation, Mr Cárdenas warned he would default on Jalisco's 2.8bn peso (£281m) debt unless the national government came to the rescue.

The veiled threat by the governor, a member of the opposition National Action Party (PAN), has helped focus minds on the precarious finances of Mexico's 32 states. Together they owe 23bn pesos, which almost dwarfs the funds they receive from central government.

Their ability to honour debt obligations is constrained by dependence on central government funding: of every 100 pesos raised in taxes, 77 go to central government and only 18 are returned to state administrations – five pesos are sent to the country's impoverished municipalities.

Common penury is forging an unprecedented alliance of PAN governors, who run four states, and the remaining governors from the Institutional Revolutionary Party (PRI), which also holds the presidency. At a three-day conference last week in Guadalajara, the Jalisco capital, they demanded more of the fiscal pie, less government meddling in their affairs, and the rescheduling of debts at commercial and national development banks.

"We are not demanding instant change," says Mr Alejandro Díaz Pérez, "but we would like to move towards the Spanish system, where central government keeps half of fiscal revenues and the remainder is shared among autonomous state administrations and municipalities."

Yet those with long memories in the PRI distrust any change that might weaken Mexico's centralised levers of power, in particular its grip on the purses of regional governments.

President Ernesto Zedillo's four-month-old government has already been shaken by an upheaval in the oil-rich state of Tabasco, where an attempt to depose a questionably elected PRI governor led to riots in the capital, Villahermosa. The trouble in Tabasco sent a strong warning to the new president to handle regional party bosses with caution.

At the governors' conference in Guadalajara, Mr Zedillo sounded a conciliatory note: "Centralism in today's Mexico is oppressive and backward, socially insensitive and inefficient." He promised to channel more resources to state administrations and municipalities, and to transfer more of the tasks carried out by central government. He also said he would search for ways to refinance the debt of regional governments, but warned they would be expected to cut spending in return.

PRI governors in attendance grudgingly admitted that their opponents were doing them a favour by openly campaigning for devolution. "If you cared about your career in the PRI, you did not rock the boat," said one. "What you got for your state depended on your connections in Mexico City, and on how close you were to the president."

Mr Ernesto Ruffo, PAN governor of Baja California, says: "If you stepped out of line, you would suddenly discover that your budget for public works would dry up. It was humiliating always to have to scrape and bow to central government."

He is especially critical of a poverty alleviation programme called Solidarity and run by the government of President Carlos Salinas, who stepped down last December. It had no local authority participation, Mr Ruffo says: "Mr Salinas knew how to manipulate the needs of the poor. He alone reaped the political benefits of the Solidarity programme. He became the best-known 'mayor' in Mexico."

Mr Ruffo believes that, if President Zedillo is serious about reforms, he will have to begin by abolishing a tier of central government which duplicates the functions of state administrations.

However, during an economic recession, when some 400,000 jobs have already been lost in the private sector, Mr Ruffo says it is unlikely that the president will court political disaster by making tens of thousands of civil servants redundant.

AMERICAN NEWS DIGEST

Quebec delays sovereignty poll

Mr Jacques Parizeau, Quebec's premier, has delayed the promised provincial referendum on sovereignty from June until the autumn. "It would be hasty to hold a referendum this spring," he told a business group in Quebec City. "Short of unforeseen events, Quebec voters will be convened for the moment of truth in the autumn."

The premier had insisted the referendum on separation from the rest of Canada would come in June. But polls showing sagging support for independence and the Parti Québécois encouraged him to soften his stand, saying the referendum would be held this year.

The PQ was elected last September on a "good government" platform and the promise of independence. This year, Mr Parizeau sent 20 roving commissions through the province to drum-up support for a softer option "sovereignty".

But the polls persistently show public distrust of the sovereignty option and Mr Parizeau's commitment. A week ago, the premier had to promise that a "sovereign" Quebec would retain the Canadian dollar.

On Wednesday Mr Parizeau said he had decided on a delay following a strategy meeting with Mr Lucien Bouchard, leader of the opposition Bloc Québécois in the federal parliament. Mr Bouchard, whose party holds most of Quebec's 75 federal seats, is committed to fight for Quebec sovereignty but has often been at odds with Mr Parizeau on strategy. *Robert Gibbens, Montreal*

Strike over taxes in Uruguay

Uruguay's powerful PIT-CNT union has called a general strike today in protest at government proposals for spending cuts and tax increases totalling the equivalent of $300m (£187m). The four-hour strike, the first big industrial action faced by the new administration of President Julio María Sanguinetti, is expected to attract wide support among transport workers, teachers and bank staff.

Unions say proposed measures to raise value-added tax from 22 to 23 per cent, and to extend VAT to transport and utilities, are "regressive and unfair".

Mr Sanguinetti last week sent the adjustment package to Congress, partly in anticipation of economic difficulties in Brazil and Argentina, Uruguay's huge neighbours and key trading partners. The president aims to cut the budget deficit from 4.5 per cent of gross domestic product to 1.5 per cent.

Negotiating the bill through Congress will be a stiff test for the president, whose Colorado party has only a third of congressional seats. *David Pilling, Buenos Aires*

Guatemalan tax moves on hold

Guatemala's constitutional court has suspended recent tax reforms, following private sector appeals against them. This jeopardises negotiations with the International Monetary Fund. The government planned to sign a "shadow" stand-by agreement with the fund in the third week of March, but Wednesday's court decision will postpone an agreement for several months, say government officials.

The IMF negotiations were founded on the tax reform package approved in December, which aimed to increase Guatemala's tax burden from 6.7 per cent to 8.5 per cent of gross domestic product. Without the fund's stamp of approval, Guatemala's access to funds from other Washington-based financial institutions is likely to be affected. Mrs Ana Ordóñez de Molina, finance minister, says the decision will cost the government 620m quetzals ($109m/£68m) in lost revenue. This would leave it adrift on its fiscal deficit target unless spending were sharply cut. *Edward Orlebar, Guatemala City*

Ministries support move into Japanese market

By Ralph Atkins, Insurance Correspondent

Lloyd's of London is drawing up plans for entering the Japanese insurance market next year. It is assuming that the Diet will approve a draft bill paving the way for the insurance market to be granted a general licence.

Mr David Rowland, Lloyd's chairman, said yesterday that a business plan would be developed over the next 12 months in anticipation that legislation approved recently by the Japanese cabinet would take effect in April next year.

Lloyd's has been backed by Mr Michael Heseltine, trade and industry secretary, in its attempts to penetrate the conservative Japanese market. Lloyd's leaders believe exploiting markets that are beginning to open up should form an important part of Lloyd's recovery plans – particularly if trading conditions remain tough in the US and deteriorate in the UK. The Japanese

LLOYD'S
LLOYD'S OF LONDON

legislation would require Lloyd's to appoint an agent to represent its interests, report to the regulatory authorities and maintain a deposit in Japan to protect policyholders' interests.

Mr Rowland said: "We have had great support and encouragement from the Japanese ministries of finance and justice for which we are very grateful." Japan is the second-largest non-life insurance market in the world with annual premium income of more than £40bn but has so far been dominated by domestic insurers.

Lloyd's sells reinsurance polices in Japan. But restrictions on insurers from other countries – and the capital structure of Lloyd's based on thousands of individual Names – have prevented it from being given approval to sell conventional policies. Names are individuals whose assets have traditionally supported the insurance market.

The proposed legislation will allow insurance brokers – on which Lloyd's has traditionally relied – to operate in Japan, complementing the existing system of agencies linked to insurance companies.

● Gooda Walker Names and insurers acting for the Lloyd's agents they successfully sued for negligence last October have clashed over the size of the damages to be awarded at the end of the litigation.

The two sides' estimates of the amount that will be paid to Names as a result of a High Court judgment in London yesterday differed widely. The haggling will give Lloyd's further time to negotiate an out-of-court settlement with all litigating Names.

It emerged yesterday that Lloyd's Equitas project, intended to "ring fence" billions of pounds of US asbestosis and pollution claims into a new reinsurance company, is being drawn into the talks.

Skilled workers are cast adrift at Swan Hunter

Since receivers Price Waterhouse arrived at Swan Hunter, the nearly defunct Tyneside shipbuilder, in May 1993, all but 30 of its 2,400 employees have been made redundant.

The workforce the receivers had to discard as work dwindled was exceptionally loyal to Swans. Many – survivors of previous waves of redundancy – had spent their entire working lives there; service records of more than 30 years were common.

The world of curricula vitae and job interviews was alien to them. So too was the temporary contract-working prevalent in the labour market they have now entered.

Mr Ray Lowrie, manager of the government-run Jobclubs set up to help them find work, has been astonished by the quality of Swans' highly skilled workforce. Even so, he warns Jobclub members – who include Mr David Swan, great grandson of the company's founder – that it is unrealistic to expect to find a permanent job immediately; they must see short-term work as a means of proving themselves.

Ex-Swans buyer Mr Bill Galpin was offered a "temporary permanent" post – a few weeks as a fill in. "Unless there's some dramatic change of policy the chances of people getting continuity of work are slim," he says. His son is studying physics at Oxford University. "There's no chance of him stopping [staying] here, there's no work. I think he'll go abroad."

Statistics on Swans' ex-employees are sketchy. The unions, which estimate only 25 per cent have found work, are just starting a survey.

The UK Department of Employment says 298 – 31 per cent – of the 965 who identified themselves when signing on since mid-1993 as ex-Swans, had found work by January. It does not record whether these were permanent or temporary posts. A further 168 were on training.

In Tyne and Wear in March there were 63,989 unemployed, 11.9 per cent of the labour force. For every unfilled vacancy advertised in Jobcentres there were 27 unemployed claimants.

The search for work – and continuity of employment – has taken many ex-Swans men to Britain's remaining shipbuilders on Clydeside, Cumbria and Southampton or in other countries. Some design team members are in San Diego, California, and 70, mostly welders, are working for Hamburg-based contractor RKM in German shipyards.

They include welders Mr Steve Young and Mr Arthur Novak, both family men. They worked from August to Christmas 1994 in Bremerhaven; on their return Mr Novak's toddler daughter did not recognise him.

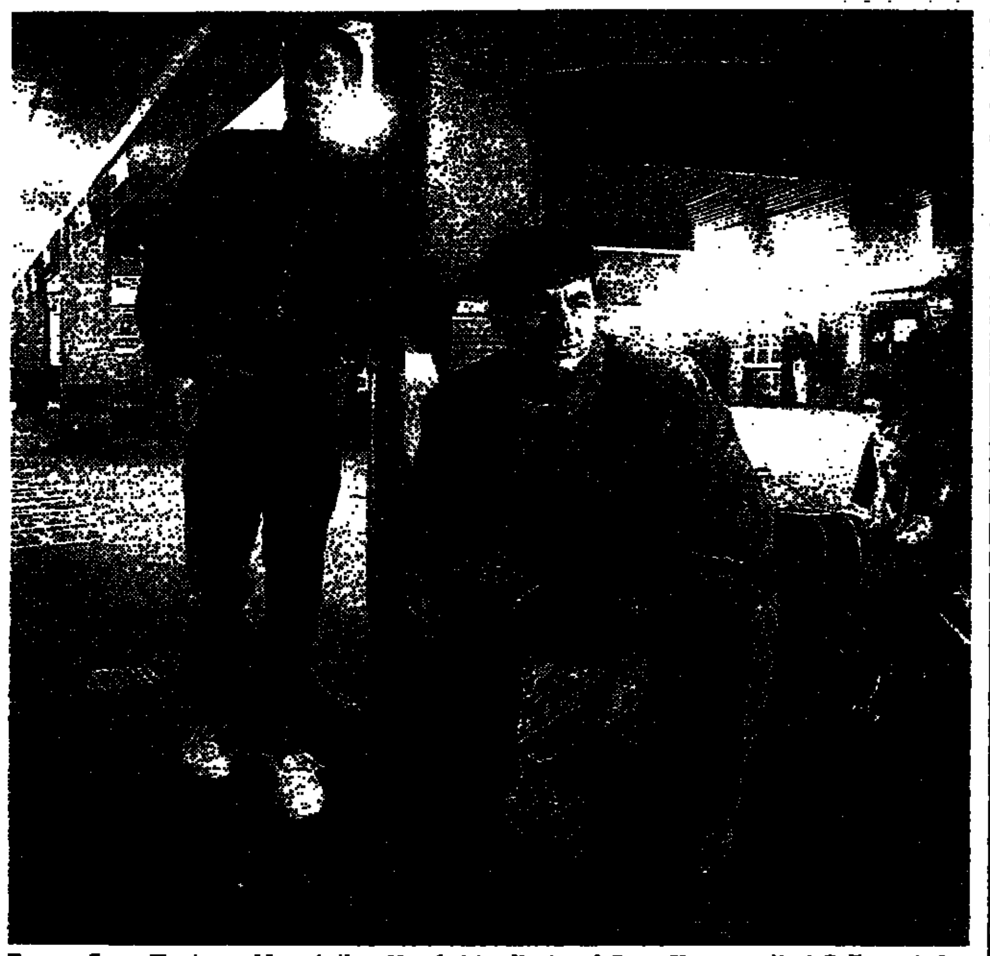
They returned to Bremerhaven last month after being unable to land permanent jobs at home. Mr Novak had a factory job in Tyneside but it lasted only five weeks. Mr Young was offered a contract by a ship repair company with Tyneside yards; he then found the work was in Cornwall.

They send home from Germany more money than they earned at Swans, but will not see their wives and children until August. They are angry their skills are wanted in Germany but not at home.

"To know how busy their shipyards are, while ours are closing down, that's the most despairing thing," says Mr Young, who may also have been thinking partly of the fanfare surrounding yesterday's naming ceremony for P&O's new £200m flagship liner, the Oriana, built in a German yard but which will fly Britain's Red Ensign.

RKM's English marketing head Mr Clive Boote has promised them years of work. "The Germans don't build ships better or cheaper than we can," he says. "But no ship in the world is built without subsidy. Our government has let our industry go to the wall."

Chris Tighe



Former Swan Hunter welders Arthur Novak (standing) and Steve Young wait at Gallowgate bus station at the beginning of their journey to Bremerhaven in Germany in search of work

State-owned nuclear groups fight over assets

By David Lascelles, Resources Editor

With privatisation of the UK nuclear power industry now a distinct possibility, the country's two state-owned nuclear power utilities have got into a public tussle over the assets.

Nuclear Electric, which operates 12 power stations in England and Wales, supports a merger with Scottish Nuclear, its counterpart north of the border with two active stations. NE argues that the combined companies would make a stronger entity which could compete on the UK electricity market and for international construction contracts for nuclear stations.

But Dr Robin Jeffrey, Scottish Nuclear's chief executive, sharply rejected this idea yesterday. "The creation of a single UK nuclear company is a proposal which has little or nothing going for it," he said. "It would mean less competition in the electricity generating industry and the destruction of yet another leading Scottish company on the altar of 'big must be best'." He suggested that 300 Scottish jobs would be at risk from the merger.

The tussle has occurred because the government is believed to be considering a reshuffle of the UK's nuclear power stations in order to make the most of privatisation. If, as is widely expected, the industry's older Magnox stations are excluded from the sale, the privatisation will consist of Nuclear Electric's five advanced gas-cooled reactors and its one pressurised water reactor, and Scottish Nuclear's two advanced gas-cooled reactors. The options are to leave the companies as they are, merge them, or transfer some stations from one company to the other.

The difficulty with leaving them unchanged is that Scottish Nuclear, with only two stations, is thought to be too small to be viable in the long run, particularly when it has to finance a replacement for its older station at Hunterston early next century.

Nuclear Electric prefers a merger because of the added strength and credibility that an enlarged company would have. It also says that Scottish Nuclear's "scottishness" and its jobs could be protected by placing it in a separate division.

The objection is that a merger could reduce competition in power generation at a time when there is already thought to be too little. Prof Stephen Littlechild, the electricity industry regulator, does not favour a merger for that reason. However Nuclear Electric argues that the merged companies (minus their magnoxes) would only account for 22 per cent of the UK electricity market.

Nuclear privatisation, Page 13

Murdoch set for TV scrum over rugby

By Raymond Snoddy and Frederick Studemann in London and Nikki Tait in Sydney

Mr Rupert Murdoch's News Corporation has launched a daring bid for dominance in world television sport with far-reaching plans to create an international Rugby League "Super League" just after snapping up rights to top international boxing matches.

Mr Sam Chisholm, chief executive of British Sky Broadcasting was last night finalising plans for the creation of a 12-team English Super League with Mr Maurice Lindsay, chief executive of the British Rugby League. Sky is the satellite venture 40 per cent owned by News Corporation and in which Pearson, owner of the Financial Times, has a significant stake. It is believed the new league will include top clubs such as Wigan. There is also a possibility that French teams could join later.

If, as seems likely, the deal is ratified, the games of the new Super League would be carried live on Sky Sports. In addition, the top four teams would compete with the top four from the new Australian Super League being put together by Mr Murdoch in Australia. These matches would also be shown live.

The new English Super League would play in the summer to coincide with the Australian winter.

The aim would be to show the top games in Australia and New Zealand on Star, the Murdoch satellite system in Asia; on the Vox satellite channel in Germany, in which Mr Murdoch has a large stake; and on Sky in the UK.

The news on the ambitious plans to promote rugby league internationally came the day after BSkyB announced what was described as the biggest deal in British boxing history.

Under the two-year deal with boxing promoter Mr Frank Warren, Mike Tyson's comeback fights are expected to be shown live on Sky Sports.

NEWS: UK

'We recognise that gaining a foothold was always going to be difficult'

Citibank retail network opens today

By Richard Wolffe

Citibank of the US is beginning its first foray into British retail banking today with the launch of a 24-hour telephone service and plans for more than 20 outlets.

The bank, which has already opened one branch and three automated banking centres in London, is attempting to build a global retail network appealing to expatriates and to people who travel widely.

Customers will be able to manage their account around the world in more than 12 currencies. The bank is expected to launch a personal computer banking system later this year.

"London is a big gap in our network," said Mr Mike Dennehy, marketing director of global consumer banking in the UK. "The UK is a very mature, very sophisticated market and we recognise that gaining a foothold here was always going to be difficult. The UK consumer is really quite cynical about whether banks can offer a different kind of service. We are never going to have the size of branch network that the major clearers have because we do not think you ever need it. We encourage customers to use us in whatever way they want."

Citibank has about 500 branches in Europe which already offer the global banking account, including 300 in Germany and 103 in Spain.

At the centre of the operation is a network of sophisticated terminals through which customers can withdraw, deposit and transfer money. The Citibank debit card is also linked to the Visa network.

The bank is targeting "tens of thousands" of wealthier customers with an annual income of at least £30,000 or an initial deposit of £10,000. The account is free of charges to those maintaining a balance over £2,000.

Citibank already has a presence in the UK through its centralised mortgage lending business, which has a portfolio of about £1.3bn ($2.1bn). In the 1970s, it closed a small network of "money shops" which offered savings and lending services but not full retail banking.

Mr Chris Ellerton, banking analyst at S.G. Warburg, said: "This is the time in the banking cycle when Citibank is profitable and deciding to be expansionary. But the cycle will turn down and Citibank will find problems elsewhere.

He said it was a successful bank, but was sceptical about its foray into UK retail banking. "As for establishing a successful consumer banking business in the UK, experience suggests otherwise."

Official figures suggest growth may have slowed

By Robert Chote, Economics Correspondent

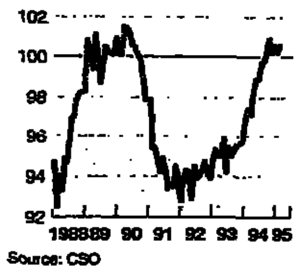
Britain's manufacturing recovery stalled at the turn of the year, official figures suggested yesterday. This implies that growth in the economy may have been much slower in the first three months of 1995 than at any time last year.

Consumer spending and industrial production have both barely changed in recent months, although they remain well up on a year ago. This means that any further interest rate increase aimed at counteracting the inflationary impact of higher raw material costs would risk further weakening an already slowing recovery.

Factory output rose by 0.5 per cent between January and February, the Central Statistical Office said yesterday. This was slightly less than economists expected and, in spite of an upward revision to January's estimate, leaves output no higher in the three months to February than in the previous three months.

Surveys of manufacturers by the Confederation of British Industry paint a much more upbeat picture, with output reported to be growing strongly. Some City economists said the official figures might be under-recording production by smaller companies.

UK factory output



Source: CSO

Mr Andrew Cates, economist at brokers UBS, said: "Further upward revisions to manufacturing output remain highly likely in order to bring the CSO's estimates more into line with survey evidence."

Four-fifths of the February increase in factory output reflected higher production in the engineering industry. In the latest three months, output has been strongest in chemicals and weakest in food, drink and tobacco.

Industrial production rose slightly in February, but was 0.3 per cent down comparing the latest three months with the previous three.

Families reluctant to buy new cars

By John Griffiths

Registrations of new cars fell slightly last month, having risen in February for the first time since September. As with much of the past year, the decline was caused by weak demand from private buyers. Purchases last month for company fleets were 4.2 per cent higher than in March last year.

Statistics from the Society of Motor Manufacturers and Traders released yesterday showed demand from private buyers down 7.2 per cent last month compared with a year before. Total registrations for the month, at 181,849, were 1.8 per cent lower than the previous March's 185,201.

This brought total registrations for the first quarter to 525,364, only 0.77 per cent lower than the 529,436 achieved in the 1994 period.

"These March figures indicate the continuing trends that, while companies continue to invest in new vehicles as the economy grows, retail confidence remains fragile," said Mr Ernie Thompson, the society's chief executive.

The market share taken by imports rose to 59.47 per cent last month compared with 57.85 per cent a year earlier. For the first quarter they were almost exactly three percentage points higher at 59.57 per cent (56.58.). Commercial vehicle registration statistics yesterday supported Mr Thompson's contention that businesses are into post-recession vehicle replacement programmes. Total registrations of commercial vehicles in March were 15.35 per cent higher than a year before at 26,125 compared with 22,468.

This lifted the total for the first quarter to 68,822 – a 21.59 per cent rise on the corresponding period of last year.

Ford continued as market leader with BMW's Rover subsidiary and General Motors dropping back – the latter as the ageing Cavalier model continues to lose its appeal as a fleet car. Companies gaining included Honda and Fiat, whose Punto, Cinquecento and new Alfa Romeo 145 models helped raise sales by more than 40 per cent last month.

Ford gains while GM and VW decline

REGISTRATIONS OF NEW CARS	Mar 1995 Volume	Mar 1995 Change%	Mar 1995 Share%	Mar '94 Share%
Total market	181,849	-1.8	100.0	100.00
UK produced	73,707	-5.5	40.5	42.1
Imports	108,142	+0.9	59.5	57.9
Japanese makes	23,486	+7.1	12.9	11.8
Ford group	39,330	+2.1	21.6	20.8
– Ford	38,597	+2.0	21.2	20.4
– Jaguar	733	+4.4	0.4	0.4
General Motors	29,229	-10.9	16.1	17.6
– Vauxhall	28,036	-11.5	15.4	17.1
– Saab*	1,193	+30.1	0.7	0.5
BMW group	27,624	+1.2	15.2	14.7
– BMW	5,781	+30.3	3.2	2.4
– Rover**	21,843	-4.4	12.0	12.3
Peugeot group	22,316	-2.6	12.3	12.4
– Peugeot	14,270	-5.6	7.9	8.2
– Citroen	8,045	+3.3	4.4	4.2
Volkswagen group	10,807	-27.5	6.0	8.1
– Volkswagen	6,292	-29.3	3.5	4.8
– Audi	1,989	-42.1	1.1	1.9
– SEAT	569	-59.1	0.3	0.8
– Skoda†	1,957	+64.7	1.1	0.6
Renault	10,717	+8.6	5.9	5.3
Nissan	9,110	+20.3	5.0	4.1
Fiat group	7,792	+29.7	3.8	2.9
– Fiat	6,470	+27.2	3.6	2.8
– Alfa Romeo	318	+235.6	0.2	0.1
– Lancia	4	-74.3	0.0	0.0
Toyota	5,186	-5.1	2.9	3.0
Honda	3,743	+11.4	2.1	1.8
Volvo	4,122	-15.0	2.3	2.6
Mercedes-Benz	2,735	+3.5	1.5	1.4

*GM holds 50% of Saab Automobile and has management control
**Includes Range Rover/Discovery
†VW holds 31% of Skoda and has management control
Source: Society of Motor Manufacturers and Traders

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Daimler-Benz, Page 15

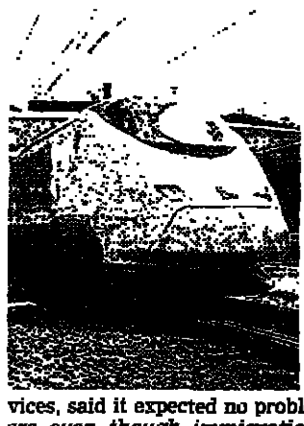
UK NEWS DIGEST

Northrop wins $304m contract

Britain has given Northrop Grumman a £190m ($304m) contract to develop infra-red countermeasures equipment for transport aircraft and helicopters. The programme is a joint UK-US effort between the Ministry of Defence and the Pentagon to develop and manufacture a new generation of defensive systems which will dazzle and confuse heat-seeking missiles.

Northrop Grumman is the lead contractor, and the system will have a 60 per cent UK content and will be co-ordinated by a project office based in London. Main UK subcontractors include GEC-Marconi and British Aerospace Systems and Equipment. It is expected that the US Department of Defense and the US Special Operations Command will also place orders for the system.
Bernard Gray, Defence Correspondent

Dispute will not delay trains, says Eurostar



Passengers using Eurostar trains through the Channel Tunnel from England to France and Belgium could face delays next week because a meal allowance for UK immigration officers has been halved. Eurostar's UK operator, European Passenger Services, said it expected no problems for customers even though immigration officers will refuse to check passports on trains. This will mean "queues and inevitable delays" said the civil service union NUCPS, which represents about 45 of the 65 immigration officers based at Waterloo International in London. Immigration officers are regularly obliged to stay overnight in Paris or Brussels. Until recently, they were allowed to claim the standard FFr240 ($50) allowance available to all civil servants. This has been cut to FFr116 since March 1.
Charles Batchelor, Transport Correspondent

Backers of freight rail line to France raise cash

Central Railway Group, which is promoting a 300km freight railway line from the English Midlands to the Channel tunnel, has raised enough money to finance further work. Its flatbed wagon route would be the first new rail line to be built in mainland Britain for more than 50 years. However, the backers of a rival scheme to carry trucks on rail wagons announced that they would begin using prototype wagons between London and Scotland early next spring. One of these backers, Transrail, an offshoot of the state-owned rail network, said the American-made wagons would carry low road trailers. Full-height trailers will require modifications to bridges and tunnels, and plans to raise and widen tunnels are under study.
Charles Batchelor

Plan for civilian use of RAF base is dropped

The Government has abandoned plans to create a civilian section at the Royal Air Force airfield at Northolt in west London to relieve increasing pressures on business aviation at Heathrow. Mr Brian Mawhinney, transport secretary, said the government would consult the business aviation industry on how services at Northolt could be improved. At the moment Northolt is often used by official flights for politicians and diplomats. *Extel News*

Union fails to halt bank pay deal in Ireland

Ireland's main banking union failed to win an order from a court in Northern Ireland to prevent Northern Bank, a subsidiary of National Australia Bank, from implementing a performance-related pay deal. The bank is asking 600 clerical and junior management staff to take cuts of up to £5,000 ($8,000) in their annual salary in exchange for lump-sum compensation which the bank claims is as much as £19,000 in some cases.

The deal, which has already been agreed with executives and managers, was overwhelmingly rejected by a ballot of members of the Irish Bank Officials' Association.
John Murray Brown, Belfast

Soccer coach Cantona: French soccer star Eric Cantona has created a coaching programme for children as part of the 120-hour community service to which he was sentenced for attacking a fan. Cantona, who plays for Manchester United, is expected to coach up to 700 children in a private gymnasium "away from media pressure".

Racetrack warning: Police believe animal rights activists will attempt to disrupt the Grand National horserace on Saturday with fireworks and flares. More than 200 police and security staff are protecting the track, and police said their defences were already being "probed" by activists.

Pigs trigger alarms: An airliner heading from London to South Africa was forced to turn back and make an emergency landing after 72 pigs triggered its fire alarms. More than 300 people were also on board the South African Airways plane when the pigs' urine, gas and body heat set off the alarms. "The collective heat and methane that 72 pigs give off caused our alarms in the hold to activate," said the airline.

BUSINESSES FOR SALE

MANAGEMENT

Complaints that MBA graduates were arrogant, narrow and shallow have led to a radical overhaul, writes **Victoria Griffith**

Re-engineering for business schools

This autumn, a radically revamped programme awaits the crop of Harvard Business School freshmen heading for Boston, Massachusetts.

Before classes begin, students will face a week of orientation during which the concept of "teamwork" will be drilled into them. Grades in many courses will be largely based on group projects. In order to raise awareness of outside issues among students they will be strongly encouraged to engage in community service – such as tutoring poor students in the inner city or painting houses for the elderly.

Specialisation will be forbidden in their first year, as the school emphasises a broad range of required management courses.

The changes at Harvard are part of a business school revolution that is metamorphosing MBA programmes across the US. Referred to by some as "curriculum re-engineering", business schools are embracing new, experimental approaches. "Sometimes business schools, like companies, have to redesign their product," says Louis Corsini, dean of the Graduate School of Management at Boston College.

After a heyday in the late 1980s, business schools took a sharp downturn a few years ago. The number of applicants taking entrance examinations peaked at 304,000 in 1990, according to the Graduate Management Admission Council (GMAC), which administers the tests. Two years later those numbers had fallen to 255,000.

The problem, say observers, was bad management. Customers – the companies, consulting groups and banks that regularly recruit at the schools – complained they were getting an inferior product when they hired business school graduates. Even top-tier universities were berated for failing to produce appropriate candidates.

Business school graduates had a shortage of inter-personal skills, said recruiters. Many of them had difficulty working in a team and displayed arrogance and insensitivity to co-workers.

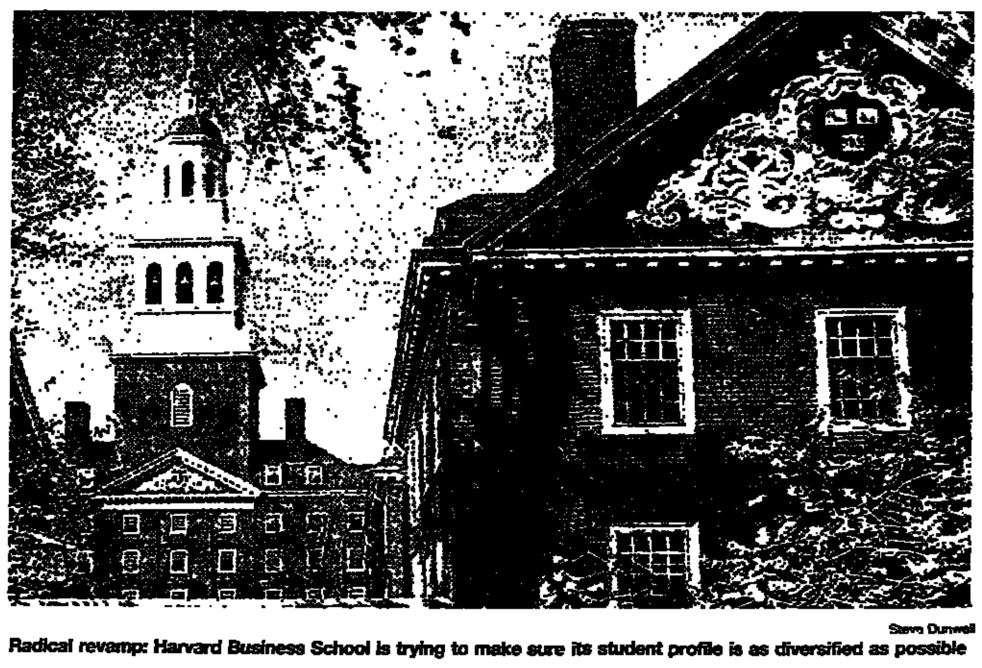
"It used to be that the first thing you heard from a business school recruit's mouth was the word 'I'," says Jack Leone, head of worldwide recruiting for Procter & Gamble. "It was also the second and third thing you heard."

The private sector lobbed other criticisms at the business world as well. Graduates had concentrated too heavily on a single area, such as marketing and finance, recruiters complained, and were not as adaptable as they needed to be. They were also ill-equipped to cope with the increasing pressures of globalisation. They rarely spoke a foreign language, and their knowledge of other countries' business cultures and economies was shallow.

At the same time, business schools faced a rapidly changing market. Middle management positions, which had been filled by many business school graduates in the past, were vanishing and graduates did not have the entrepreneurial skills necessary to take the reins of small corporations, which were rapidly growing in number.

With a shrinking pool of applicants and a dissatisfied customer base, many business schools decided something must be done. They decided to practise what they had been preaching. They consulted recruiters, chief executive officers, alumni and professors to find out what needed to alter, then went about changing it.

One of the first shifts that many schools made was in the admissions process. Rather than rely primarily on general test scores and undergraduate performance, a number of schools now place a greater emphasis on recommendations and interviews. Wharton, one of the first business schools to overhaul its system, now insists on interviewing nearly every candidate for admission.



Steve Dunwell

Radical revamp: Harvard Business School is trying to make sure its student profile is as diversified as possible

Harvard takes a closer look at applicants' extra-curricular activities and tries to make sure its student profile is as diversified as possible. "If they can get along with people from all over the world, of different races, and religious backgrounds, then they'll get along better in business," says James Cash, chairman of the MBA programme at Harvard.

Team activities are also a significant focus. Under a new curriculum programme starting this autumn, Boston College's management school, for instance, will organise classes around group projects in which every student assumes a different role, such as leader, facilitator or innovator. Roles shift as the semester progresses, and at the end of the term, each student must evaluate each other's performances.

Inter-disciplinary studies are being increasingly emphasised, say the schools. Professors are being brought in from other university departments, such as psychology and international politics. Rather than focus on a single subject, such as finance and marketing, students are being encouraged to become generalists.

Dual degrees – medicine and business or engineering and business, for example – are also increasing. However, in promoting too many dual degrees, business schools worry about second-guessing the market. "Today's industry winners may be tomorrow's losers," says Glenn Hubbard, Assistant Dean at the Columbia Business School.

Globalisation is a recurring theme. Columbia University, for example, instils an international element into each of its MBA course offerings. Technology is coming to the fore as well. Many schools now require students to own a personal computer, and multimedia techniques are beginning to be incorporated into classrooms.

To cement their ties with the private sector, business schools are promoting internship programmes more than ever. And to raise awareness among students who may soon be earning six-digit salaries, a number of schools – Wharton, Columbia and Harvard, for instance – are encouraging students to participate in community service.

The US business schools hope their self re-engineering will make their products hot commodities once again. It is still early days, but so far the customers seem happy with the changes. Recruiters, who are just beginning to work with graduates of overhauled programmes, say they are already noticing a shift in the mentality of their recruits.

"The emphasis on leadership and teamwork is showing through already, although work still needs to be done on the globalisation side," says Gerome Vascellaro, director of recruiting for consulting group McKinsey. Students are also giving the re-engineering efforts a thumbs-up. Applications at the top-tier schools, which have been most aggressive in curriculum changes, have risen markedly. Applications at Stanford alone, for instance, are up about 50 per cent over last year.

But the business schools cannot relax. Like the private sector they supply with managers, the universities must constantly adapt to an ever-changing world. "The curriculum changes are not over," says Thomas Gerrity, dean of Wharton. "They will never be over, because if we have learned anything over the past few years it is that constant evaluation is the way to go. Things change in the market and you have to be prepared for that."

The curriculum overhauls that have taken place so far are also by no means across the board. "In some cases we see a big change," said Leone. "Other schools still have a lot of work to do."

Office work for benchmarkers

Simon London on attempts to compare use of property

Property accounts for about 40 per cent of company assets and, typically, about 10 per cent of operating costs. Organisations using their buildings efficiently should, therefore, have a competitive edge.

The snag is that managers have had no way of knowing whether they are using property more or less efficiently than their peers. The practice of comparing property performance between companies – benchmarking – has often foundered on the lack of reliable data.

Companies such as Rank Xerox have tackled the problem by sharing information on property costs with a select group of competitors. Similar benchmarking "clubs" exist in industries such as food retailing and information technology.

Big firms of surveyors such as Hillier Parker and DTZ Debenham Thorpe have also set up clubs, collecting and analysing information from their clients across a range of industries.

Hillier Parker's benchmarking club was set up at the end of last year. The firm collects data from nine club members, concentrating on office property.

"Rents, rates and facilities costs are much higher for office property than for industrial space. Benchmarking offices will lead to the greatest potential savings," says Chris Boulton of Hillier Parker.

The first batch of data collected by Hillier Parker has produced some telling comparisons. Members of the club pay, on average, £2.50 to £3.25 per sq ft in rates. Yet one of the members has an average rates bill of £6.50.

"Looking at the location of their properties there is no obvious reason for such a large difference. This is clearly an area for potential savings," comments Boulton.

However, most benchmarking clubs are relatively small. Plans for a new Occupational Property Databank, collecting data on thousands of properties from dozens of occupiers, could lead to benchmarks based on a much wider spread of data.

"There are lots of clubs collecting bits and pieces of data but nothing standardised across the property market. We are hoping to rectify that," says Christopher Hedley, who is setting up the project for the Investment Property Databank, which already runs performance measurement services for institutional investors in property.

Fourteen companies, including Barclays, National Westminster, Eagle Star, Sears, BT and British Gas, have agreed to supply information on 25,000 properties to the occupational databank.

IPD hopes that companies from sectors which are not represented, such as food retailing, will join in as the project gains credibility.

Initially, the new databank will collect 50 variables from the companies, delivered by electronic transfer. The plan is to evolve benchmarks covering four main areas:

- Property costs, including space and detailed information on rents and rates.
- Utilisation of property: space per employee and broad measures of efficiency such as turnover or transactions per square metre.
- Estate management costs: how much it costs companies to manage their property.
- Asset performance, the rate of return companies achieve on property investment and the capital value of occupational properties over time.

The biggest danger in property benchmarking is that companies will focus on numerical measures, such as cost per square foot, without considering the impact on productivity or staff morale or asking why variations in performance arise.

For this reason, many of the companies joining the new databank hope it will lead to greater informal communication between the participants as well as quantitative benchmarks.

"We are looking for information on best practice as well as costs. I hope the IPD will bring opportunities to network with other companies," says Mark Smith, group premises manager at Eagle Star, the insurance company.

Hedley would eventually like to run standardised staff satisfaction surveys among databank members as a proxy for productivity.

"It has never really been possible to tell a good building from a bad building. This is a particular problem for developers who would like to charge more for what they believe to be a better product," he says.

In the meantime he believes the databank will stimulate debate and discussion, helping companies to arrive at the best way of organising their property management.

ARTS

Theatre/Alastair Macaulay

Enchanted by Juliet in a lively setting

Imagine Alice, not in Wonderland, but in love. In Adrian Noble's new Victorian-dress staging of *Romeo and Juliet*, Lucy Whybrow gives us a Juliet we have never encountered before – and yet a Juliet we seem always to have known.

She is a precocious and well-tutored girl with an inquiring mind; the usually gentle and obviously promising child of an eminently respectable family; in love with words; often amused by herself and her surroundings; terribly impatient with the Nurse's long-winded ramblings, and terribly impatient when waiting for news; with a stubborn need to puncture nonsense and hypocrisy; but with a still childish, headstrong, determination to have her own way; clever and wordy in defying her father ("How, how, chopped logic?" he replies scornfully); and with a naughty child's deviousness in finally circumventing her family.

Her feet are firmly planted, most of the time, her stance erect, her fair hair pouring down her shoulders. Her eye is bright with intelligence, her charmingly toothy mouth is wide with wilfulness, her chin is dimpled with vulnerability, her voice *is* high and clear with youth: everything is characterful and expressive and fresh.

There is no conventional Romantic lyricism in her. Soliloquising ("wherefore art thou Romeo?") on her balcony, she is still a bookish girl, trying more to articulate her feelings than to release them; but as soon as she spots him, she is caught up pell-mell in spontaneous excitement.

She can talk at extraordinary speed, rattling through an over-excited series of five or six scornful questions and exclamations to the Nurse in a single prestissimo breath.

Sure, she begins to grow up during the story. "Some word there was, worse that Tybalt's death, That murdered me" and "I'll to my wedding bed And death, not Romeo, take my maidenhead!" are lines when we hear the first notes of new maturity in her; but she is still a child at the end.

Great emotion tends to transfix her; but in the rushing storm of emotion that assails her with the news of Tybalt's death and Romeo's banishment she is finally driven, in a wholly astounding episode, first to attack the Nurse, then at once to recoil, finally to fall backwards on to the floor, all amid a rising flood of helpless, tormented words.

Noble's production, though it has several incidental faults, is wonderfully fresh and absorbing. Everyone onstage inhabits the same small urban world, characters really seem to know each other intimately, and several characterisations are as innovative as Whybrow's so illuminating Juliet.

In spite of several faults, everyone onstage inhabits the same small urban world, characters really seem to know each other intimately

The setting is Verona in Victorian times, with open-air cafés, men in suits and neckties, women in crinolines. Romeo, Mercutio and Co put on *commedia* masks to go to the Capulet ball, where the Brindisi from Verdi's *Traviata* is among the tunes played. The civil guard carry muskets, but the Capulets and Montagues still fight with swords.

Romeo, though more adult in garb, is very much the Montague counterpart to Juliet: literary, refined, well-groomed, intoxicated by his first taste of adult life, childishly petulant when he cannot get his way.

His relationship with Friar Lawrence is the equivalent of Juliet's with the Nurse (and both are the result of insufficient parental intimacy); I have never seen this so clearly shown.

But Zubin Varla's performance is more contrived than Whybrow's; he works too hard to achieve a high, light, dry, adolescent vocal sound (with upward falsetto squeaks in temper) and his big speeches tend towards stagey generalisation. But he is charming, bright, impetuous, and he plays to everyone around him with fine concentration.

Mercutio is helplessly loquacious, with a compellingly neurotic brightness, vulnerable in his boyish devotion to his male friends; a first-rate performance by Mark Lockyer.

Susan Brown is a wry Nurse who cannot help but platudinise and incline towards the most comfortable solution, a tidy lady's maid, scarcely middle-aged, utterly charming in her scenes with the oh so different Juliet.

Likewise, Julian Glover is a comfortable, well-meaning Friar Lawrence (with a Scots accent just like Sean Connery's) who rues too late the disastrous events in which he has been involved.

Christopher Benjamin and Darlene Johnson are a highly genteel, cultivated Capulet couple; her playing in the end is rather too artificial, but his tender, wise, detailed interpretation nicely departs from the way he played some of the same lines as fruity Mr Crummles in the RSC's 1980-81 *Nicholas Nickleby*. Jeffery Dench (Montague and Apothecary) and Michael Gould (a scholarly, bespectacled Benvolio) are among the other successful pieces of casting; but Christopher Robbie (Chorus, Escalus and Cousin Capulet) has some muzzy diction, and Paul Bettany is a handsome but too vague Paris.

Hugh Vanstone's lighting has the height but not the warmth of Italian daylight. Kendra Ullyart's costumes are handsome and elegantly detailed, her sombre sets simple but somewhat too blank. Sue Lefton's dances are perfect in their lively detail and period accuracy; but my only serious problem with the evening as a whole (as at several other RSC productions in recent years) is with whoever allows or encourages the actors to emphasise a very few "characterful" movement motifs.

Thus Romeo stamps his right foot in temper, hoists his left knee when in need of comfort; Lady Capulet lets her wrists "break" in scenes of domestic alarm; Juliet stretches her right arm in rhetorical climax or extends her left arm with the elbow at an unusual oblique angle; and so forth. This concept of body language is too neat and reductive.

The story moves briskly (the play is cut to play in three hours, with interval); Romeo kills Tybalt in a very few seconds.

This is the first *Romeo* in years where my eyes started with tears at several points, and where the play – one of Shakespeare's dramatically simplest – held me riveted from first to last. It makes us see Shakespeare's most celebrated pair of lovers by an utterly new light; and Whybrow's Juliet is an enchantment.

In repertory at the Swan Theatre, Stratford-upon-Avon.


Alastair Muir

Lucy Whybrow in 'Romeo and Juliet': precocious and well-tutored girl

ENO fights back

Crisis, what crisis? With the critics sharpening their invective on recent productions, and an Arts Council report into the future of the lyric theatre in London carrying a sub-heading "Reduced role for the ENO", Dennis Marks, the general manager of English National Opera, has come out fighting.

The critics might have slaughtered *Life with an Idiot* and *Don Giovanni* but, according to Marks, the audience at last Saturday's première of the Schnittke roared their applause, and bookings for the Mozart are above target.

Marks also gave the impression that, as it plans the future provision of opera, the Arts Council was coming round to his view that the closure of both ENO at the Coliseum and the Royal Opera at Covent Garden at the same time for pre-millennium renovation would not be a disaster.

The council commissioned a report, chaired by Dennis Stevenson, which strongly recommended that the ENO delay its rebuilding plans until the next century – in other words accept junior status to Covent Garden. But Marks announced that negotiations were already well advanced to quit the Coliseum in March 1997, move to the nearby Lyceum Theatre until the end of that year, and then spend some months at Sadler's Wells before returning the ENO to a modernised Coliseum.

To strengthen his hand with the council, which would have to pay the extra costs of such a plan, Marks reported improved results for 1994-95: the ENO deficit was marginally reduced to £3.1m and attendances were 18 per cent higher, at a paid capacity of 71 per cent.

For the season starting last September things are even better with attendances up 31 per cent, to the highest level since 1988-89. While Stevenson had doubted that London could sustain two opera houses, Marks pointed out that attendances this season at both were 80 per cent of capacity, and more.

But the criticism of the *Don Giovanni* has changed minds. Its director, Guy Joosten, was to have been in charge of next season's new *Turandot*. Now Marks hopes to bring in the acclaimed David Hockney production from the US.

The 1995-96 season has a popular ring to it with new productions planned of *Carmen*, directed by Jonathan Miller, *Fidelio*, *La Belle Hélène*, re-named *Helen goes to Paris* and with a script by Michael Frayn; *Salome*, produced by David Leveaux, and Mark Elder conducting his first *Tristan and Isolde*. Purcell's tercentenary is celebrated with *The Fairy Queen* and the only contemporary work is *The Prince of Homburg*, to honour Henze's 70th birthday.

Three-quarters of the seats at the ENO next season will be held at current prices. The top prices in the stalls and dress circle are raised by £2, giving a peak price of £47.50 (£50 on Saturday). Almost 60 per cent of the seats are still £25 or less.

Antony Thorncroft

Sponsorship/Antony Thorncroft

Now for something completely different, please

Suddenly some of the shine seems to be disappearing from arts sponsorship. The overall spend, around £70m a year, may not be falling, but now sponsors want something different for their money. They increasingly look for a marketing slant, a tailor-made promotion with some media pay-off. This is making life hard for traditional arts organisations, especially the festivals and opera and dance companies.

There is no problem about new sponsors. The government financed Pairing Scheme, which this year gives £5.5m to bolster the contribution of first-time sponsors, will be eagerly taken up through the involvement of smaller and regional companies. But many long-term sponsors are reluctant to hand over cheques passively. They want a quantifiable benefit.

This is shown in the growing sponsorship of programmes on the media, especially on Classic FM; in the devising of new specifically branded sponsorships, like the Montblanc Prize for Culture which is worth $25,000 and has just been awarded to the composer Gian Carlo Menotti; in the discussions taking place between sponsors and orchestras which involve tours to towns targeted by the companies; and in deals like Absolut Vodka's funding of the Take me – I'm Yours conceptual art show at London's Serpentine Gallery.

Absolut co-operated with the Independent on Sunday to ensure that every reader received a work of art created by one of the exhibiting artists. It also ensured that this was the first sponsorship on the Internet.

This search for novelty, for sponsorship as marketing, could be regarded as a good thing, as livening up the business.

A bigger threat is posed by the arrival of the National Lottery and the demands this makes on arts applicants to assemble some matching funding. Companies which are traditional sponsors are an obvious source for this money, but any cash they give to bolster a lottery application may well be cash earmarked by the same sponsor to underwrite performances.

*

Adding flesh to this unease comes news of two big sponsorships aborted, one permanently.

Lloyds Bank planned to sponsor the Knebworth rock festival this summer but the proposed line-up of acts was not reckoned to be earth shattering. Lloyds has delayed the sponsorship for a year to garner bigger names and give itself more time to market the charity concert.

It is now scheduled for the summer of 1996 and Lloyds will invest £1m, much of it on promotion.

Mazda's first foray into arts sponsorship – a planned £250,000 deal with the Stately Homes Music Festival – has proved disastrous.

Reaction of its car dealers on the ground was not favourable and the festival got into financial trouble with its winter season. The artistic director, Julian Lloyd Webber, resigned, the festival ceased trading and Mazda has lost money.

It proves the dangers of sponsoring a commercial operation. There is no possibility of the subsidised Royal Shakespeare Company or the Royal Opera House going out of business.

*

The RSC has, in fact, just completed its annual visit to Newcastle, its 19th, and, as ever, it went down a storm. But it was touch and go.

For three years Northumbrian Water acted as chief sponsor but was reluctant to shoulder the burden indefinitely. With a £150,000 gap in the funding, the RSC was courted by two other cities anxious for the prestige, and the commercial spin-off, from a visit. In the end the Sponsors Club, a group of 13 companies and organisations in the north-east, saved the day.

The north-east has a weak industrial base. Few firms have their headquarters there. So local companies keen to support the arts have learned to muck in. In 1991 they formed a Sponsors Club, the only one in the UK, to help ensure that relatively little goes a long way.

Apart from backing the RSC the club's greatest achievement is the Awards Scheme. Members pay £6,000 a year (backed by £10,000 from Northern Arts) which funds an incentive scheme. Any new arts sponsor in the region is matched £1 for £1 up to £4,000. Since virtually all such sponsors also qualify under the government's Pairing Scheme, arts organisations receive £3 for every £1 pledged. This has generated an extra £500,000 for the arts in the region and introduced more than 50 companies to sponsorship.

Typical is Sherlocks, a Hexham hairdresser, which put £3,000 towards a visit to the town by London Contemporary Dance. With the extra £6,000 this pulled in, staff were thanked with tickets; customers invited to the performance; discounts offered to the audience; and local schools benefited from classes by professional dancers.

Members of the Sponsors Club include BT, Fujitsu, Newcastle Breweries and Procter & Gamble. Unfortunately two leading players, Northern Electric and Northumbrian Water, have recently come under siege from companies outside the north-east. Although the club has potential new recruits in ICI, Nissan and Rolls-Royce, it could ill afford to lose them.

*

Hugo Boss, the German-based men's fashion company, has signed a five-year sponsorship deal with the Guggenheim Foundation in New York. It is the largest commitment in the museum's history, according to Guggenheim director Thomas Krens. The undisclosed sum, believed to be around $5m (£3.10m), will support 15 projects – two or three big exhibitions a year, an education programme, an annual award for young artists, and the promotion of art in new media.

The first collaboration is on a Ross Bleckner show opening on May 14.

*

Canary Wharf has given a fillip to the art market, with new tenants in the Docklands complex filling their office space with paintings.

Texaco assembled a famous collection and now Credit Suisse, which has just moved in, has invested around £500,000 in art. Bridget Brown acted as consultant and among her commissions are a 30m-long glass wall with sculptures by Bruce McLean on the theme of food and drink; a wall drawing for the boardroom by Sol LeWitt; and sculptures of giant pens and pencils by Tony Cragg.

INTERNATIONAL ARTS GUIDE

■ BALTIMORE

THEATRE

Center Stage Tel: (410) 685 3200

● Hannah Senesh: written and directed by David Schechter, music composed and arranged by Steven Lutvak. An adaptation of diaries and poems by an Hungarian Jewish woman in Nazi occupied territory; 8pm; to Apr 23 (Not Mon)

■ BERLIN

OPERA/BALLET

Deutsche Oper Tel: (030) 34384-01

● Aida: by Verdi. Conductor Stefan Soltesz, production by Götz Friedrich; 7pm; Apr 14

● L'Italiana in Algeri: by Rossini. Conducted by Ion Marin/Carlo Rizzi, produced by Jérôme Savary; 7.30pm; Apr 8, 12

● Onegin: music by Tchaikovsky. Premiere at this venue, choreographed by John Cranko, produced by Reid Anderson and Jane Bourne; 7.30pm; Apr 9 (7pm), 11

● The Girl of the Golden West: by Puccini. A new production conducted by Paolo Olmi and produced by Frank Corsaro. Soloists include Galina Kalinina and George Fortune; 7.30pm; Apr 7

Staatsoper unter den Linden Tel: (030) 200 4762

● Der Rosenkavalier: by Strauss. Nicolas Brieger directs this new production. The sets are designed by Raimund Bauer and Donald Runnicles conducts; 6.30pm; Apr 8, 13

■ LONDON

CONCERTS

Barbican Tel: (0171) 638 8891

● Royal Philharmonic Orchestra: with soprano Christine Brewer. Jane Glover conducts Schoenberg, Strauss and Mozart; 7.30pm; Apr 13

● Yo-Yo Ma: cellist with the London Symphony Orchestra. Sir Colin Davis conducts Tippett and Elgar while Leon Kirchner conducts the UK premiere of his own "Music for Cello and Orchestra"; 7.30pm; Apr 12

Queen Elizabeth Hall Tel: (0171) 928 8800

● Andreas Haefliger: pianist plays Beethoven, Schubert and Mussorgsky; 3pm; Apr 9

● Carmina Quartet: with pianist Andreas Haefliger plays Beethoven, Debussy and Brahms; 7.45pm; Apr 10

Royal Festival Hall Tel: (0171) 928 8800

● Bach: St. Matthew Passion: with the Bach Choir and the English Chamber Orchestra. Sir David Willcocks conducts; 11am; Apr 9, 11,

● London Choral Society: Jane Glover conducts Handel's "Messiah"; 6pm; Apr 14

● Michael Nyman Band: with the Orquesta Andalusia de Tetuan. Special concert in which Nyman reworks music from his career and writes for a group of virtuoso musicians who have an understanding of his work; 8pm; Apr 8

● Piano, Orchestra and Band: Martyn Brabbins conducts the Michael Nyman Band, The Philharmonia Orchestra and pianist Kathryn Stott plays Nyman's "The Piano Concerto" and the UK's premiere of "MGV-Musique Grande Vitesse"; 7.30pm; Apr 13

● The London Philharmonic: with clarinetist Emma Johnson. Martyn Brabbins conducts Walton, Barber, Dankworth, Weill and Gershwin; 7.30pm; Apr 7

GALLERIES

Royal Academy Tel: (0171) 439 7438

● Poussin: more than 90 works by the French artist. Centerpiece of the exhibition is the two series of the "Seven Sacraments"; to Apr 9

OPERA/BALLET

English National Opera Tel: (0171) 632 8300

● Don Giovanni: a new production of Mozart's opera. House debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Apr 8, 11, 13

Royal Opera House Tel: (0171) 304 4000

● Peter Grimes: by Britten. Directed by Elijah Moshinsky and conducted by Edward Downes; 7.30pm; Apr 8, 11

● Salome: by Strauss. A new production directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Apr 7

● The Prince of the Pagodas: by Britten. A Royal Ballet production choreographed by Kenneth MacMillan opens a Benjamin Britten "mini festival" at the Royal Opera; 7.30pm; Apr 10

THEATRE

Cockpit Tel: (0171) 402 5081

● The Yiddish Trojan Women: by Carole Braverman, directed by Hettie Macdonald. Comedy involving four American Jewish women; 8pm; from Apr 7 to Apr 23 (Not Sun)

■ NEW YORK

CONCERTS

Avery Fisher Tel: (212) 875 5030

● New York Philharmonic: with pianist Mitsuko Uchida. Kurt Masur conducts Beethoven's "Piano Concerto No.2" and Shostakovich's "Symphony No.5"; 8pm; Apr 7, 8, 11 (7.30pm)

● New York Philharmonic: Kurt Masur conducts Weber, Schumann, Williams and Prokofiev; 8pm; Apr 12, 13, 14 (11am)

● Pinchas Zukerman: violinist and pianist Marc Neikrug, plays Mozart, Neikrug and Brahms; 3pm; Apr 9

Carnegie Hall Tel: (212) 247 7800

● Alfred Brendel: an all-Beethoven programme by the pianist; 8pm; Apr 10

OPERA/BALLET

Metropolitan Tel: (212) 362 6000

● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Apr 8, 11 (8.30pm)

● Parsifal: by Wagner. Produced by Otto Schenk, conducted by James Levine; 6.45pm; Apr 14

● Pelléas et Mélisande: by Debussy. A new production by Jonathan Miller. Conducted by James Levine; 8pm; Apr 13 (1.30pm)

● The Ghosts of Versailles: by Corigliano. Produced by Colin Graham, conducted by James Levine; 8pm; Apr 7, 12

New York City Opera Tel: (212) 307 4100

● Harvey Milk: music by Stewart Wallace, libretto by Michael Korie. A new production conducted by Christopher Keene and produced by Christopher Alden, a story about gay activism, dirty politics, murder and street riots; 8pm; Apr 13

● La Bohéme: by Puccini. Conducted by Christopher Keene and produced by Cynthia Auerbach; 8pm; Apr 14

● La Traviata: by Verdi. A new production conducted by Yves Abel and directed by Renata Scotto. Soloists include Janice Hall/Oksana Krovytska and Stephen Mark Brown/Richard Drews; 8pm; Apr 8

● Lucia di Lammermoor: by Donizetti. Conducted by Christopher Keene and produced by Tito Capobianco; 8pm; Apr 9 (1.30pm), 12

● The Merry Widow: music by Lehár, English book adaptation by Robert Johanson. Conducted by Eric Stern, directed by Robert Johanson; 8pm; Apr 7, 8 (1.30pm)

■ PARIS

CONCERTS

Champs Elysées Tel: (1) 49 52 50 50

● Philharmonic Orchestra of St. Petersburg: with violinist Shlomo Mintz. Youri Temirkanov conducts Prokofiev; 8.30pm; Apr 12

● Philharmonic Orchestra of St. Petersburg: with violinist Martha Argerich. Youri Temirkanov conducts Prokofiev; 8.30pm; Apr 12

● Philharmonic Orchestra of St. Petersburg: with mezzo-soprano Eugénie Gorokhoskaya and the London Symphony Chorus. Youri Temirkanov conducts Prokofiev; 8.30pm; Apr 13

GALLERIES

Galerie Schmit Tel: (1) 42 60 36 36

● From Delacroix to Matisse: exhibition including the works of Picasso and Degas; to Apr 13

OPERA/BALLET

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conduct the Paris National Opera; 7.30pm; Apr 8, 11, 14

■ WASHINGTON

CONCERTS

Kennedy Center Tel: (202) 467 4600

● Jessye Norman: soprano with pianist Ann Schein in a programme of works by Berg, Strauss, Ravel and Messiaen; 7pm; Apr 10

● National Symphony Orchestra: Elizabeth Schulze conducts Berlioz's "Symphonie Fantastique"; 8.30pm; Apr 7, 8

● National Symphony Orchestra: with conductor/violinist Iona Brown plays Strauss, Haydn, Vaughan Williams and Mozart; 8.30pm; Apr 13, 14 (1.30pm)

OPERA/BALLET

Washington Opera Tel: (202) 416 7800

● Carmen: by Bizet. A new production with Denyce Graves in the title role. Ann-Margret Pettersson directs a production by Lennart Mörk. Conductor Cal Stewart Kellogg. In French with English surtitles; 8pm; Apr 7, 9 (2pm)

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Financial Times Business Tonight

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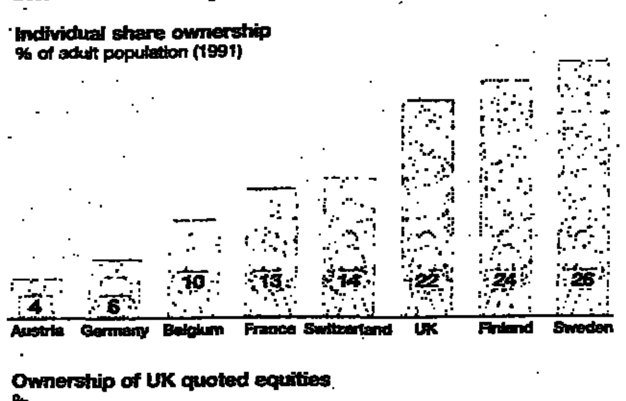
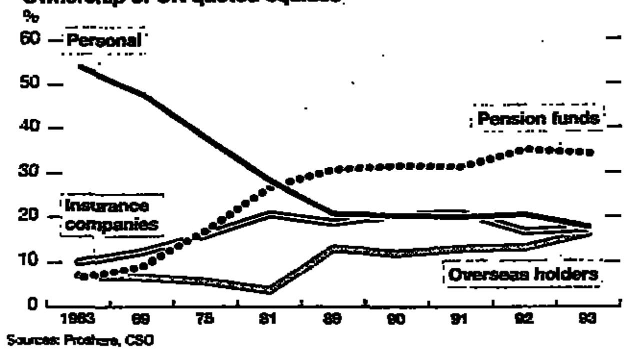
Financial Times Business Tonight

Taste test for investors

Charles Schwab's acquisition could change retail share dealing in Europe, say **Norma Cohen** and **Patrick Harverson**

Share ownership: will Europeans get the habit?





Sources: Proshare, CSO

Mr Charles Schwab, it can be argued, has done for shares what McDonald's did for hamburgers in establishing a string of low-cost outlets across the US where private investors can buy shares quickly and cheaply.

Mr Schwab now wants to bring his message to Europe. On Wednesday, his eponymous stockbroking company said it was buying Sharelink, the telephone share-dealing service based in Birmingham, which fulfils a similar function in the UK to Schwab in the US. Schwab sees the £39.7m acquisition as a springboard for other European markets.

Both Schwab and Sharelink started out as "execution-only" or "discount" brokers which do not offer investment advice, but a low-cost trading service. Schwab remains the largest discount broker in the US, with 44 per cent of the market, but it has come a long way from its roots as a discount broker; it offers investors cheap and easy access to a wide range of investment products.

With the Schwab organisation behind it, Sharelink will have more capital to invest in its business. But it will still be difficult to persuade more individuals in the UK and Europe to buy and sell shares.

In Britain, the percentage of UK stocks held by individuals has been declining steadily over the past 30 years from 54 per cent at the end of 1963 to 17.7 per cent at the end of 1993; most now have only small shareholdings in privatisation issues. Only 13 per cent of French households and six per cent of German ones held shares at the end of 1991.

The contrast with the US is stark. About 45 per cent of the $6,490bn of equities outstanding in the US are held by individuals, and about one in three American families has money invested in mutual funds or directly in the stock market.

Even if private investors in Europe do develop a taste for shares, it will be hard for companies such as Schwab to win business from the banks and insurance companies that dominate the distribution of retail financial products in Europe.

"One of the problems for retail investors in France is that they are held captive by their banks," says one Paris Bourse official. "Gradually people are realising that they have a choice."

In both France and Germany, the banks are slowly responding to demands from investors for access to a greater range of investment products and for lower fees. Several French banks have launched direct share dealing services through Minitel, the telephone computer network which allows individuals to transact deals as simple as the purchase of a railway ticket or as complex as the structuring of a share portfolio.

Mr John Coghlan, the Schwab executive vice-president who helped engineer the purchase of Sharelink, says he has no illusions about the difficulties of transplanting the Schwab experience abroad. "This is clearly a very long-term investment," he says. "What we really don't want to do is the classic American mistake of taking a product which is a great success in your own market and translating it into, say, Japan."

One of Schwab/Sharelink's first moves in the UK will be to add new products to the existing range, which includes the basic execution-only share dealing service. Schwab's US "One Source" product, for example, allows customers easy access to more than 330 different mutual funds; these, like UK unit trusts and investment trusts, spread an investor's risk across a package of stocks and other instruments. One Source involves no charge to the client – Schwab makes its money by charging the mutual fund manager 26 cents for every $100 of customer assets directed its way – which has made it popular with US investors. They purchased $12.5bn worth of funds through the programme last year alone, and the success of One Source since its introduction in 1992 has been one of the biggest factors in the near-doubling of Schwab's total client assets to $123bn by the end of last year.

For UK-based fund management companies selling unit and investment trusts, such a product could be a boon at a time of fierce competition for distribution outlets, especially when customers increasingly object to paying the front-end fee that has historically covered distribution costs.

Mr James Ogilvie, chief executive of UK-based investment trust managers Foreign & Colonial, says that his organisation would welcome the advent of a One Source-type product in Britain. "An organisation like ours is searching desperately for distribution and it is frightfully expensive. It is a great problem."

Banks in continental Europe have also levied high fees on clients purchasing collective investment vehicles, and a low-cost supplier could prove attractive throughout Europe.

"If people can get their hands on information, they can then make their own decisions," says Ms Judith McMichael, director of the European retail division of Fidelity of the US. "Why should they pay someone else to do it for them?"

Fidelity has discount brokerage services for retail clients in the UK and for institutional *clients throughout Europe, and* is now considering entering the retail market in continental Europe. Investors, says Ms McMichael, are unlikely to tolerate poor service from European banks for ever. "Customers will get fed up with the crummy, monopolistic service offered by their banks."

The question remains whether Schwab/Sharelink or any other low-cost broker can duplicate the US success story in Europe.

Mr Coghlan is optimistic that Europe will follow the same route as the US and that Europeans will soon start investing more in shares and providing more business for companies such as Schwab/Sharelink. With a greater proportion of the population in retirement, and fewer of working age, government social security systems will not be able to afford generous retirement benefits, forcing people to make their own investments for old age. "The more we looked at the UK market, the more it looked like the US 10 years ago," says Mr Coghlan.

One day, Schwab hopes, its outlets will be as common in Europe streets as the golden arches of McDonald's.

Philip Stephens

Bad for your health

Politics occasionally throws up a perfect symmetry. Take this week. First the government hauled from its back pocket the badly torn tax card that offers a last escape route from opposition. Then, just as the counterfeit £5 notes fluttered before our avaricious eyes, it slipped out plans to close a few hospitals.

This second item of real news, of course, was not supposed to attract the same attention as the first piece of political chicanery. Virginia Bottomley had not intended to be grilled in the House of Commons about the latest phase in the ruin, sorry I mean reorganisation, of London's healthcare. A press release was judged by the Department of Health a more appropriate vehicle for this particular announcement. "Over £600m to prepare the capital's health service for the 21st century," it declared with all the probity of a used-car dealer. *No word of cuts or closures.* Instead another few hundred million recycled in the hope of a decent headline. Why mention you are shutting St Bartholomew's and disembowelling Guy's, when you can say instead that the Royal London and St Thomas' are to get a few extra beds?

Mrs Bottomley was thwarted. It was her bad luck that her adversary turned out to be one of the most decent MPs at Westminster, a former cabinet minister and a fellow Tory. I have never before heard Peter Brooke speak ill of a colleague, publicly or privately, political ally or opponent. Mr Brooke is a member of a species heading for extinction. Courtesy and reasoned argument are his chosen political language. When he accuses a minister of the crown of lacking moral courage, something is seriously amiss.

I must here declare an interest. My daughter regularly receives sophisticated treatment at Guy's. Its specialist units exemplify the worth of state-of-the-art medicine in the hands of dedicated staff. I do not like the idea of its highly talented doctors finding more lucrative employment across the Atlantic.

More often than not, it is dangerous to infer the general from the particular. Not so in this case. There is no need to be misty-eyed about the future of this or that institution to quarrel with Mrs Bottomley's strategy.

Healthcare in London is a complicated business. The patchwork of teaching hospitals which has evolved over decades (in the case of Bart's, centuries) is not the most efficient way to deliver treatment. Regional hospitals have much of the expertise once available only in the capital. There are too many hospital sites. Some concentration of specialisms and reallocation of resources would be no bad thing.

But to say tough choices must be made is not to fall for spending cuts masquerading as rational reform. As far as I can determine, the only supporters of the planned wave of closures are the placemen (there are not too many women) who pack the boards of some of the bigger trust hospitals. A strategy which may once have had some logic has run up against the buffers of real life; and fallen apart.

The suggestion of an IOU tucked in every voter's wallet before polling day has a nice ring to it. It does not make political sense

The academic research which underpinned the Bottomley plan has been superseded by more careful, pessimistic analysis. Packed accident and emergency units and obvious shortages of specialist beds make a nonsense of complicated matrices showing London awash with surplus capacity. The King's Fund, a respected independent group, has called for a moratorium on bed closures.

Mrs Bottomley, failing to distinguish between bravery and stubbornness, will not budge. This triumph of graph paper over reality reminds me of another episode when we learnt the hard way that big is not invariably beautiful. Remember those 1950s planners, who told us that modern high-rise housing estates were infinitely preferable to small Victorian terraces?

The hospital reforms are Treasury-driven. Forget the claims about establishing a more equitable spending balance with the rest of the country and pouring new money into primary care. The keepers of the public purse want savings. They know also that better primary care may mean more, not less, strain on the hospitals: better diagnosis leads to new demands for treatment. For all their international renown, London's centres of excellence and scientific research carry similar risks. Medical advance costs money. In this exercise, it is the bottom line that counts.

Which brings us, of course, to the promised tax cuts. We can dispose quickly of the wilder demands of those Tory MPs who expect Kenneth Clarke to find £10bn of funny money well before election day. Some cash can be found by judicious *juggling* of the books. But Mr Clarke knows the markets will take fright if every pound lopped off taxes is not matched by another, and preferably two, taken from spending and borrowing.

Rows over health and education have also reinforced an obvious point. The run-up to an election is not the best time to take an axe to the welfare state. I always thought that, for all his mistakes, Nigel Lawson knew best how to treat backbench supporters who did not see the conflicting pressures. During his chancellorship, the wish-lists of Tory MPs received as much attention in No 11 Downing Street as those of the Trades Union Congress.

The suggestion of a pre-announced rolling programme of tax cuts, a certified IOU, if you like, tucked in every voter's wallet before polling day, has a nice ring to it. It does not make political sense. If John Major has a credible message, it is that he has taken the hard decisions needed to break the boom-to-bust cycle. Pain brings gain, is how one senior minister put it to me this week. The claim does not sit easily with a pledge to steer blindly into successive cuts in income tax.

There are one or two other obstacles. The odds are that the economy will soon be at the top of the present cycle, if it has not already reached it. Public borrowing is still more than 4 per cent of national income. The tax base was badly eroded by Mr Lawson's swashbuckling Budgets. The £14bn worth of tax increases since the 1992 election were needed to fill a structural rather than a cyclical gap in the public finances.

I am not sure either how many Tories have realised that the much-admired relationship between Mr Clarke and Eddie George, *governor of* the Bank of England, is fundamentally unstable. Publication of the minutes of their monthly meetings has given the bank power without accountability. To preserve his own credibility, Mr George's pronouncements must take full account of the fiscal and monetary policy mix. If he decides lower taxes require offsetting increases in interest rates, there is nothing anyone else can do.

So the tax battle – and have no doubt the government will do everything to make it the issue of the election – must be about how resources are allocated at the margin. It will be about the future rather than the present. For all the broken promises of the past three years, Mr Clarke promises he will look for opportunities to reduce the tax bill while Labour will find excuses to increase it. We may have mugged you, Mr Clarke is saying, but why let Labour take whatever you have left?

Tony Blair may not find it easy to offer a convincing riposte. He can hardly say the country is too lightly taxed. Nor can he pretend his promised programme of economic and social regeneration is cost-free. The opinion polls tell us that, this time, the electorate will break the habit of a generation and decide that decent hospitals are worth paying for. I would not rely on that. The voters may well conclude the £5 notes promised by the Tories are counterfeit. But Mr Blair has to persuade them he will not dig still deeper into their pockets.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Ecu argument for UK lacks logic

From Mr Fabrizio Galimberti.

Sir, Robert Chote's Economics Notebook (April 4) makes the point that, for the likes of Britain, "embracing the Ecu might be a course fraught with danger". And the reason seems to be that the responses of the different EU economies to the "common medicine" prescribed by a "single central bank setting a single interest rate" vary from country to country.

I fail, however, to see the logic behind this conclusion. Surely a simulation of the impact of a one-point rise in interest rates on the regional economies of Lombardy, Sicily, Apulia and Abruzzi would come up with many different responses. But this is not reason to unwind the monetary unification of Italy. Moreover, even if the different responses were to be construed as a disadvantage, pros are to be weighed against cons.

I remember the high level of the debate in the UK way back in the late 1960s on the pros and cons of joining the Common Market. It was a passionate, civilised and uplifting intellectual exercise. The current debate on Emu/Ecu seems instead to generate, as Mr Kenneth Clarke, the UK chancellor, said, more heat than light.

Fabrizio Galimberti,
chief economic writer,
Il Sole 24 Ore.
10-12 Kooyong Koot Road,
3122 Hawthorn, Australia

Agreeable view on media

From Sir Frank Rogers.

Sir, Bronwen Maddox reports ("ITV executive urges easing of 'regulatory burden'", March 30) that the BBC would be concerned if new cross media rules were "to allow one player to get a dominant position over a chunk of media or over distribution which makes it more difficult for others to enter the market".

The BBC speaks from experience. By my reckoning, it already has a 19.7 per cent share of national voice, nearly twice that of its nearest single rival, News International – and nearly 20 times the share of The Telegraph Group.

As a newspaper publisher striving to exploit the electronic media, I am delighted to endorse the BBC's comments!

Frank Rogers,
deputy chairman,
The Telegraph plc,
1 Canada Square,
Canary Wharf,
London E14 5DT, UK

Inspectors have not reached conclusions on Leeson

From Rajah & Tann.

Sir, We act for Mr Michael Lim and Mr Nicky Tan, the inspectors appointed by the minister of finance to investigate the collapse of Baring Futures (Singapore) Pte ("the company").

We refer to the article "Probe rules out conspiracy in collapse of Barings" (April 4). The article suggests that our clients have ruled out the possibility that Mr Nick Leeson had acted with the assistance or approval of parties within or without the Barings Group. Our clients have instructed us to write to you to correct any such erroneous suggestions.

Our clients wish to clarify that they are still in the midst of their investigations and one of the areas that they are actively investigating is the possibility that Mr Leeson had conspired with persons either within or without the Barings Group to defraud the company.

In so far as your article suggests that our clients have concluded that Mr Leeson was acting alone, we wish to state that such suggestions are incorrect. It would be premature for our clients to conclude at this stage of their investigations that Mr Leeson acted alone.

The article also suggests that this conclusion was developed in a "series of closed meetings held in Singapore" between our clients and investigators from the Serious Fraud Office. That suggestion is also incorrect.

Our clients have met two SFO investigators once in Singapore. At that meeting, which lasted no more than half an hour, the discussions centred on how our clients and the judicial managers of the company could assist the SFO in its investigations in Singapore. Our clients did not then or at any other time discuss their findings with the SFO. There was also a further short meeting in London where similar discussions took place.

Your article also suggests that *our clients believed that* no Barings executive knew about Mr Leeson's trading activities. Our clients wish to state that they have yet to interview Barings executives in London. Until our clients have the opportunity to interview these persons, our clients are keeping an open mind as to the level of their knowledge.

Similarly our clients have *not come to any firm conclusions* as to whether Mr Leeson's trading activities had not been authorised by any persons in the Barings hierarchy.

Rajah & Tann,
advocates and solicitors,
4 Battery Road,
#15-00 & #16-00 Bank of China Building,
Singapore 0104

Fish disputes: UK played by rules, Spain has yet to learn lesson

From Mr Austin Mitchell, MP.

Sir, Mr Ignacio Suarez-Zuloaga's case for supporting Spanish fishermen (Letters, April 5) amounts to saying that they are in much the same position vis a vis Canada as was the UK with Iceland in the 1970s. Both nations acted unilaterally. *Both victims had large fishing* fleets and depressed areas dependent on fishing.

So perhaps we should give the Spaniards the same sympathy and support they, and the rest of the EEC, then gave us. But perhaps even that is too much. We ran our fleet down. The Spaniards are building theirs up by subsidy. We played by the rules. Predatory fishing, hidden fish holds, inac*curate records, illegal catches* and undersized fish have given the Spaniards an appalling reputation. We control landings. Enforcement at Spanish ports is a conspiracy between the authorities and the fishermen. We had to sell our vessels off. The Spaniards have been enabled to register them as British to catch our fish for us. We accepted an inadequate agreement in 1982. The Spaniards blocked the entry of the Nordic countries to force their way into our waters.

The Spanish government has been more prepared to defend and support its fishermen than ours was, or is. Yet that is no reason why the fishermen of a nation which contributes three-quarters of the stocks, and is given back a pathetic quarter of the catch because every competitor has to be satisfied at our expense, should be in any way sympathetic to a nation which is getting a better deal than it deserves, or we got.

Austin Mitchell,
House of Commons,
London SW1A 0AA, UK

From Mr Royce Frith.

Sir, Negotiations in Brussels are working towards a settlement and discussion is now focused on details. However, Mr Ignacio Suarez-Zuloaga's letter attempts to deflect attention from the real issue at stake in the current dispute.

He blatantly says: "This is not an issue of ecology." Of course it is. Over-fishing by all countries, including Canada, has decimated a once plentiful area. We've learnt the lesson, but clearly Spain has not.

The Newfoundland fishermen, who have fished the Grand Banks for 400 years, know the tragic results of over-fishing. More than 40,000 of them are now unemployed and are forced to live on government assistance until the stocks can replenish themselves. Unrestricted plundering of the sea, as Mr Suarez-Zuloaga seems to support, cannot continue. We need sensible conservation practices. And we need strict enforcement of those practices. That is what this dispute is about.

Royce Frith,
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FINANCIAL TIMES

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Friday April 7 1995

Lessons from Mexico's crisis

What are the lessons of Mexico's crisis? As it fades from front pages and there is also an increasingly positive assessment of prospects elsewhere, notably for Argentina, this question is moving to the head of the global economic agenda. It was in everyone's mind at this week's annual meeting of the Inter-American Development Bank in Jerusalem. It will be on the agenda of the International Monetary Fund's Interim Committee in Washington later this month and of the summit of the Group of Seven leading industrial countries in Halifax in June.

Perhaps the most important lesson is that open economies enjoy a very narrow margin of manoeuvre. This is particularly true where a country's performance has historically been poor, its credibility is fragile and the threat of political instability is large. Even in retrospect, Mexico's sins appear venial rather than mortal, but they have attracted savage punishment all the same.

Openness to trade is not the problem. On the contrary, the greater integration of the Mexican economy with the rest of the world provides the platform for export-led recovery and will facilitate the needed reduction in the current account deficit.

Financial difficulties

The difficulty lies rather on the financial side. The combination of an overvalued exchange rate with undue credit expansion, a run-down in foreign-exchange reserves and excessive reliance on short-term borrowing was the proximate cause of Mexico's crisis. The adjustment being forced on the country demonstrates the importance of not risking such crises in the first place. To be safe, countries must be highly risk-averse.

US under-secretary for international affairs at the US Treasury, Mr Lawrence Summers, suggested in Jerusalem that current account deficits should not be assumed to be benign just because the private sector generated them. He also argued that it would be better to assume capital inflows are temporary and outflows permanent than the other way round. Governments should also become nervous, he suggested, if markets are forcing them to borrow on shorter maturities or in foreign currency.

More fundamentally, the habitual assumption that governments can run fiscal deficits, come rain or shine, needs to be challenged. Furthermore, while an adjustable-peg exchange rate can help stabilise high inflations, it is risky for the longer term, since failure of the policy can easily lead to a collapse in the authority of the finance minister, if not of the entire government. The coherent options for an open economy are either a currency board, which carries large risks of its own, or a more or less managed float. Taxation of short-term capital inflows or restrictions on short-term repatriation of capital may also be options worth considering, at least for a country that has not achieved full stabilisation.

Need for transparency

One obvious lesson is the need for far greater transparency. IMF surveillance, however useful it may be, is not a substitute, since that august institution can hardly blow the whistle on a country without being blamed for creating the crisis it is enjoined to prevent. A massive effort must now be made to ensure timely publication of all relevant information.

The most controversial issue of all is what to do when crisis breaks. Mexico's devaluation and its aftermath have provided an object lesson in how not to do things. The government failed to put in place an adequate package of accompanying measures; the US government failed to gain the support of Congress, but assumed, instead, that it could rely on that of other industrial countries; the IMF was dragged in too late and then decided to give too much; and the fundamental question whether – and why – such a large rescue operation was justified was never adequately addressed.

That question remains relevant. On it must hang decisions about the procedures to be followed in future and also about the scale of the resources needed by the IMF if it is to mount such rescues. The Mexican crisis has led to much talk of systemic risk and contagion. But was massive external support really so self-evidently superior to the alternative of rescheduling Mexico's public debt? This is the most important single question for the international community to consider. It still needs to be answered.

The trouble with Nato

Rarely in Nato's 46-year history has there been such a pressing need for an effective personality at the helm. The alliance faces grave responsibilities in the near future. In the medium term, it has some hard thinking to do about its role in a post-cold war world. Unfortunately, the troubles crowding in on Mr Willy Claes, the secretary-general, mean that an effective leader is precisely what it lacks.

Most immediately, the alliance is struggling to ready itself for what will be, if it goes ahead, much the toughest military task it has ever faced: the assembly of 50,000 troops to "cover" a possible evacuation of United Nations forces from Bosnia in hostile conditions. It is not certain that such a pull-out will be needed, but the current flare-up in fighting makes it more likely. An uncontrollable upsurge, with peacekeepers caught in the middle, would not only destabilise the whole Balkan peninsula but also poison relations among the more than 30 countries, including 11 Nato members, involved with the UN effort.

All 16 members are willing in principle to help with the evacuation. But there is a huge gap between this and the final decision by a sovereign government to commit troops to a war zone. Several Nato states are proving reluctant even to take the first step in that direction by endorsing the withdrawal plan. An effective secretary-general could play a vital role in overcoming this reluctance by pointing out to senior western politicians the price of failure.

Dismal efforts

Even if a fiasco in Bosnia can be avoided, however, the bloc will have to show greater clarity of thought in mapping out its own future. So far its efforts to do so have been dismal, on a number of counts. The expansion of Nato, to include ex-communist states in central Europe, has been proposed by the US as a new, galvanising mission; but enthusiasm for this project is waning as Russia objects and western Europe wavers.

Moreover, Nato leaders have made no progress in designing a new model for military co-operation between the US and Europe as they pledged to do 15 months ago. This is not for lack of willingness in such key capitals as Washington and Paris. After a period of doubt, the US is committed to retaining no less than 100,000 troops in western Europe. France, without reopening its decision to opt out of Nato's military wing, is keener than before on military co-operation with all western nations, including the US. These are building blocks out of which it ought to be possible, given imagination and effort, to construct a new relationship.

Too distracted

The trouble is that Mr Claes, the former Belgian foreign minister who took over as secretary-general last autumn, is too distracted by the current scandal over his Flemish socialist party to provide the necessary leadership. He maintains that he is above reproach in the matter of alleged payments by the Italian arms company Agusta to his party. He acknowledges making an "error of judgment" in failing to insist with sufficient force that his party turn down any offers of money.

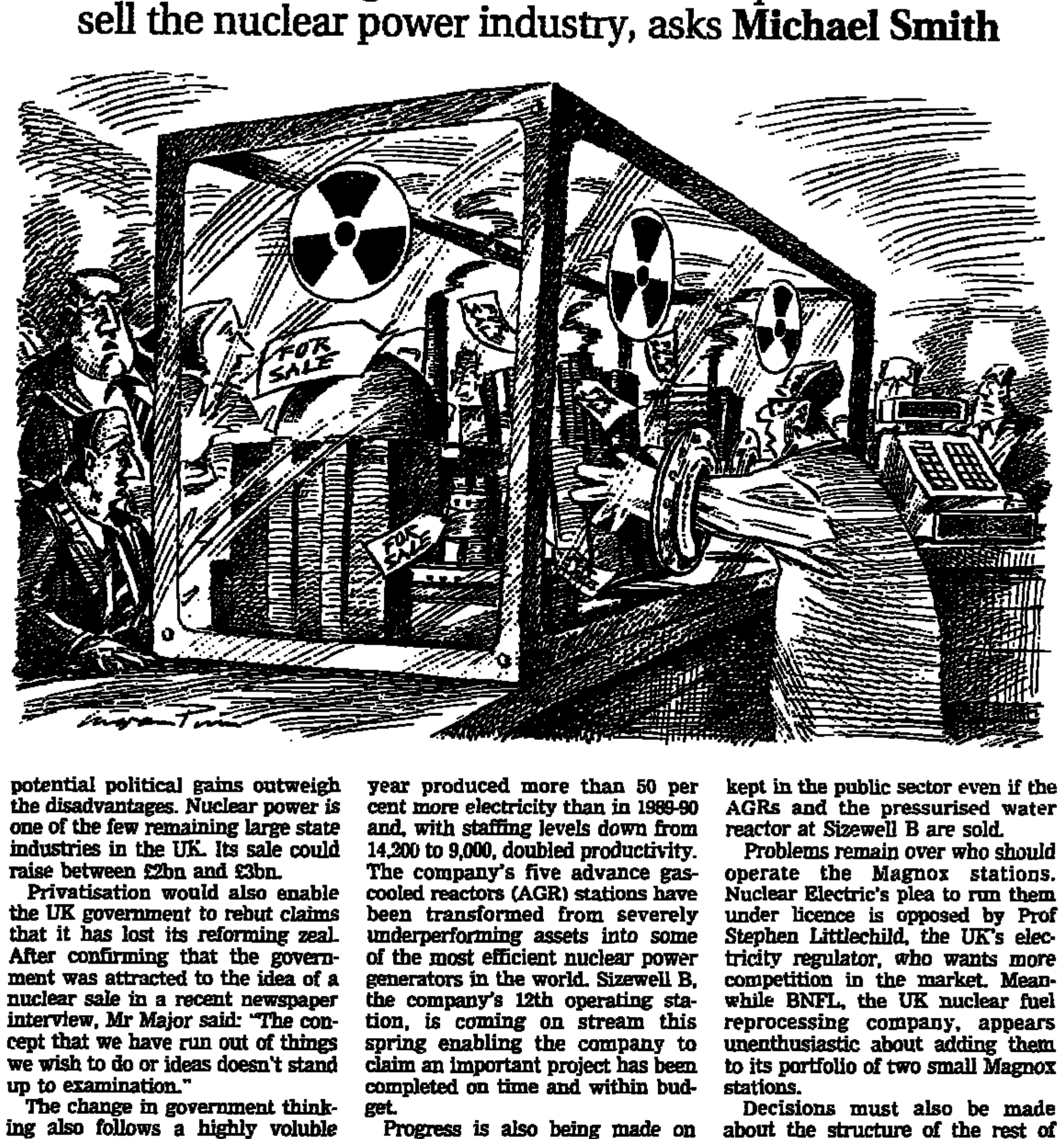
But whether or not he is guilty of anything worse, his continuation in office is harming the alliance. His capacity to focus on Nato's most pressing problems, and to insist that others do so, has been impaired. The biggest contribution he could make now would be to step gracefully aside.

Such a move does not appear imminent. Mr Claes has had strong public backing from the US, and slightly less enthusiastic endorsements from Europe. This may in part be because nobody wants to risk another unseemly squabble about an important international appointment.

The issue needs to be confronted, however, if Nato is to have a chance of stopping the rot. The alliance has a vital role in underpinning the transatlantic relationship and the US commitment to maintaining troops in Europe. But it has to decide what else it is for, and to do that it needs a leader who can be trusted by governments on both sides of the Atlantic. That may mean the alliance should reverse the traditional arrangement under which its secretary-general is a senior European politician. Perhaps an American should be asked to try to save it.

Softly, softly towards a sale

Does the British government have the political will to sell the nuclear power industry, asks Michael Smith



It seemed like a privatisation too far.

Until a few weeks ago, even strong supporters of privatisation on the right wing of the UK's ruling Conservative party thought that an early sell-off of the state's nuclear power industry would be difficult – perhaps impossible – to achieve in the face of political opposition and the reluctance of investors to buy.

It was scarcely surprising that when Mr Tim Eggar, energy minister, launched the UK government's review of the nuclear industry a year ago, he warned that a sell-off before the next general election – due by spring 1997 – was unlikely. Mr Eggar is a privatisation enthusiast but also a pragmatist.

However, as the British government enters the final stages of its review, expected to be published within the next few months, the chances of a sale of the industry going ahead are fast increasing. Spurred on by the Treasury, Mr John Major, the prime minister, is making encouraging noises about the prospects for such a move. Even Mr Eggar appears to be less sceptical than before.

Progress in Britain will be watched closely by the growing number of countries which are privatising their electricity industries. Although there are privately-owned nuclear power stations in several countries – including the US, Japan and South Korea – none has been transferred from the state sector. Governments are acutely aware that when the UK last tried to sell off its nuclear power stations, in 1989, it was forced into a humiliating climbdown after being warned that investors would not buy them.

The recent change in UK ministers' thinking is remarkable in a government that has had its fingers badly burned over privatisation within the last six months. It was only last November that the Department of Trade and Industry was forced to abandon plans to sell the Post Office.

The government has also been embroiled in controversy, seized on repeatedly on by the opposition Labour party, over the UK's regional electricity companies which were privatised in 1990. It is widely thought to have sold them off too cheaply. Shareholders and executives have also enjoyed what many see as excessive rewards.

If the government attempts to sell the nuclear generators, it will risk stirring further controversy: nuclear power is still widely viewed with suspicion in Britain and elsewhere because of the safety concerns raised by the accident nine years ago at Chernobyl in the former Soviet Union.

Supporters of the sell-off, including Mr Kenneth Clarke, the UK chancellor, believe the financial and potential political gains outweigh the disadvantages. Nuclear power is one of the few remaining large state industries in the UK. Its sale could raise between £2bn and £3bn.

Privatisation would also enable the UK government to rebut claims that it has lost its reforming zeal. After confirming that the government was attracted to the idea of a nuclear sale in a recent newspaper interview, Mr Major said: "The concept that we have run out of things we wish to do or ideas doesn't stand up to examination."

The change in government thinking also follows a highly voluble campaign by Nuclear Electric and Scottish Nuclear, which together own 14 nuclear power stations in the UK still generating power.

In spite of exhortations by ministers to keep a low profile over privatisation, the two companies have convinced many with their argument that the original obstacles to a sale have been largely overcome.

The biggest asset in their lobbying armoury has been efficiency improvements. Nuclear Electric last year produced more than 50 per cent more electricity than in 1989-90 and, with staffing levels down from 14,200 to 9,000, doubled productivity. The company's five advance gas-cooled reactors (AGR) stations have been transformed from severely underperforming assets into some of the most efficient nuclear power generators in the world. Sizewell B, the company's 12th operating station, is coming on stream this spring enabling the company to claim an important project has been completed on time and within budget.

Progress is also being made on the issue that sunk the planned privatisation in 1989: the liabilities of the nine ageing Magnox stations owned by the nuclear companies. Six are still generating electricity.

The liabilities remain large and in dispute, with UK environmentalists claiming the final cost will be much larger than the nuclear companies' estimate of more than £10bn. But the government appears to have accepted the companies' argument that the Magnox stations can be kept in the public sector even if the AGRs and the pressurised water reactor at Sizewell B are sold.

Problems remain over who should operate the Magnox stations. Nuclear Electric's plea to run them under licence is opposed by Prof Stephen Littlechild, the UK's electricity regulator, who wants more competition in the market. Meanwhile BNFL, the UK nuclear fuel reprocessing company, appears unenthusiastic about adding them to its portfolio of two small Magnox stations.

Decisions must also be made about the structure of the rest of the domestic industry. Scottish Nuclear, with just two AGR stations, is perhaps too small to attract investors in a public offer of shares but its argument that it should take over two English AGRs is being fiercely resisted by Nuclear Electric. Equally the Scottish lobby is fighting a Nuclear Electric takeover of Scottish Nuclear.

Difficult though these structural issues are, they are generally seen as soluble. What remains in doubt, in spite of the upbeat tone of recent comments, is whether the government has the political will to proceed with the sell-off. This will depend on ministers' judgment about how the move would be greeted by investors and voters.

The City of London's outright opposition to privatisation six years ago has softened, particularly in recent months as uncertainties over AGR liabilities have diminished following of recent £18bn fuel processing agreements between the two nuclear generators and BNFL. Analysts at James Capel, the UK stockbroker, advised clients this week that on commercial grounds privatisation was feasible, adding: "The benefits outweigh the political risks."

If investors can be persuaded to agree,the biggest remaining obstacle to privatisation would be potential public opposition. So far the possibility of a sell-off has met with a muted response both from the Tories' political opponents and environmental groups. Greenpeace has indicated it will not oppose a "simple privatisation" since that would sever links between nuclear power and the government and – it believes – make it less likely more stations would be built.

Government advisers do not expect this to last. "However quiet Labour and the environmentalists are now, they would surely not deny themselves the publicity opportunities that opposition to privatisation offers," said one. "They would be on the television every day to protest about the implications for safety."

In making final recommendations on privatisation to cabinet possibly as early as next month, the DTI will be acutely conscious of its humbling experience in 1992, when it attempted to close 31 UK mines in the run-up to coal privatisation. The announcement had been widely trailed, leading ministers to believe – falsely – that they could overcome opposition relatively easily.

Mr Michael Heseltine, the trade secretary, whose premiership ambitions were set back by the subsequent outcry and dented further by last year's Post Office debacle, is keen to avoid similar mistakes over nuclear power. He is likely to make sure that the issue is debated fully in cabinet, with Mr Major making the final decision.

In Whitehall, the chances of Nuclear Electric and Scottish Nuclear moving to the private sector by 1997 are rated at 50 per cent – or even slightly more. But few would be surprised if the government eventually decided that a nuclear sell-off was indeed one privatisation too many – or at least opted to postpone the move until after the next general election.

Why Croatia must win Serb hearts

PERSONAL VIEW

Last Friday, the United Nations Security Council established a new peacekeeping operation for Croatia. The Croatian government sees this as an important diplomatic victory, signalling that international opinion has moved in its favour. But the new force's mandate will need to try to reconcile two deeply antagonistic political positions. This will be very difficult.

The crux of the matter is where the force is to be positioned. Franjo Tudjman, the Croatian president, has demanded that a slimmed-down UN operation should concentrate its efforts on border monitoring and control on the international boundary between Croatia and its neighbours – Bosnia and Serbia and Montenegro. The aim of his policy is clear: to cut off the Serbs in Croatia from those in Bosnia, hence leaving the leaders of the self-proclaimed Serb "republic" in Croatia vulnerable to political pressure and the threat of war.

The Serbs who control a third of Croatia, known by them as the "Republic of Serb Krajina", are demanding that the force stay where it is, on the confrontation line inside Croatia between Serbs and Croats. The aim of their policy is as clear as President Tudjman's: to keep the blue berets as a buffer between Serb Krajina and the rest of Croatia. In this way, the Krajina Serbs hope that the present position becomes the starting-point for any political negotiations about the status of land acquired by force. The Krajina Serbs have said unequivocally that they will not accept UN troops on the international border.

If UN peacekeepers are stationed on this border without the consent of the Krajina Serbs, they could find themselves vulnerable in remote border monitoring posts and sandwiched between hostile Serb forces. If the present deadlock continues, the UN Security Council – which rightly believes a war would start if the UN leaves Croatia – could find itself in the uncomfortable position of having to consider mandating a force without the unambiguous consent of one of the warring parties.

It would be far more desirable to secure an accommodation between the Croatian government and the Krajina Serbs.

But to achieve that, answers to some deep-seated questions must be sought. What sort of relationship does Croatia want with the Serbs? To what extent is Zagreb prepared to accommodate their aspirations for autonomy? And most crucially, is Croatia prepared to go to war to achieve the integration of an economically depressed and politically recalcitrant area, at the risk of delaying the much cherished prize of European Union membership and economic and political stability?

Is Croatia prepared to go to war at the risk of delaying the much cherished prize of EU membership?

Serbs throughout Croatia share a deeply ingrained mistrust of the Zagreb government. Many are convinced there is no room for their secure and dignified existence within a Croatian state. There is no political power base in Serb Krajina to which advocates of a return to the Croatian fold can appeal. Unless such a base is created, the present peace plan – the so-called Zagreb-4 plan – drawn up by the US and the European members of the contact group (Britain, France, Germany and Russia), will remain of little relevance to Croatian political realities.

The key to a political solution lies in Zagreb's hands. It should implement a forceful, multi-faceted and consistent policy of national reconciliation to convince Serbs inside and outside Serb Krajina that their security and dignity are guaranteed in a Croatian state, and that they will partake as equals in its future prosperity, while preserving their cultural and political identity.

But Zagreb still insists that Croatia's guarantees of human rights are adequate and that the international community must "deliver" the reintegration of Croatia, in order to avoid a pan-European war.

Zagreb must be disabused of its self-deception. The international community should urge it to refocus its energies away from regaining what it calls the "occupied territories" towards winning the hearts and minds of people living there.

Zagreb must realise that no matter how onerous forgiveness and dialogue may seem, they offer the only path towards a unified, peaceful and prosperous Croatia.

The international community's role should be to encourage this process of national reconciliation and trust-building, to reward efforts in this direction and to censure any recidivist belligerence. No one will fight battles on behalf of Croatia.

Dispelling a legacy of mistrust takes time. Building confidence is always more difficult than spreading hate. But modern European history proves that it can be done – given the political will. This needs to be demonstrated robustly by the Croatian government at this important moment in Europe's history.

Michael Williams

The author is director of information for the United Nations Protection Force in the former Yugoslavia

OBSERVER

Newt's Major contribution

■ Sensitive British watchers of the "special relationship" were hardly mollified by John Major and Bill Clinton's efforts to gloss over their differences in Washington this week.

After all, there is no undoing Clinton's decision to invite Sinn Féin's Gerry Adams to the White House, nor his decision to mark the 50th anniversary of the end of the second world war in Moscow rather than London.

Step forward – who else – Newt Gingrich, the Republican leader, who knows what to say to keep the special relationship going. "I just think that the place for the American president to be on the 50th anniversary is in London," Gingrich says in a television interview to be broadcast this weekend.

"Our first moral obligation was to go to Britain, because Britain was our closest ally in world war two," he adds.

Gingrich has been avoiding foreign leaders since his party took over Congress in January, but he made room for Major – although the milk-and-water conservatism espoused by the UK prime minister is rather different from that embraced by Gingrich.

Referring to Major, Gingrich adds: "You know, he's gone through some tough times but then, I've been, you know, an active Republican, and we went through some tough times too," confidently predicting that the Conservative party "is likely to recover a lot of its ground".

Hmmm. Not quite the same as saying "you're going to win the next election".

Stone us

■ Name that stone. Yesterday in London Sotheby's, the auctioneers, put on display one of the world's largest diamonds, which has never been worn and still has no name.

The 100.10 carat stone, big as a duck's egg and cut last year into a pear shape, will be sold at Sotheby's in Geneva on May 17, with an expected price of more than $13m, which would be a world record.

It's the second largest diamond ever to be offered at auction, the largest being the 101.84 carat gem called "Mouawad Splendour", for which the Geneva-based jeweller Robert Mouawad paid $12.8m at a Sotheby's auction in 1990.

What's in a name? It could always be called the Fat Cat, or maybe, in this democratic age, The Plebian Pear.

Observer is offering a bottle of the finest malt whisky for an appropriate name, faxed to *00 44 171 873 3926*, by May 15.

Flagging spirits

■ Russia and Ukraine have not been on the best of terms for a while, and things have now degenerated to that terribly boring phase, the mutual rending of national flags.

On Wednesday Nikolai Lysenko, a Russian nationalist deputy, tore up the Ukrainian flag, throwing the tatters at the Russian Duma's chairman, Ivan Rybkin.

Lysenko has been banned from addressing parliament until April 26. That might irritate him, but he probably couldn't care less that Kiev's parliament yesterday banned him from entering Ukraine. As Kiev voted to ban Lysenko, Yuri Vitovich, a Ukrainian nationalist, shredded the Russian flag. No punishment has yet been meted out to Vitovich.

Someone pass them a football, for goodness' sake.

Tune in, Turner off

■ Media bigmouth Ted Turner held forth at a conference in New York this week, where the CNN boss brought the house down with his Good Ol' Boy act. On the refusal of his biggest shareholders to back his ambition to buy CBS, he said: "Every time I fail to buy a network, I go out and buy myself another ranch. At least they can't stop me doing that."

On his management style: "I look at the figures every month, whereas Rupert looks at them every week. He's a bean-counter: me, I'm a concept man."

He also passed on his thoughts about wealth: "Sumner (Redstone) and Rupert (Murdoch) are a lot richer than I am. But if the actuarial tables are correct, I'll be the richest man in this business in 10 years' time."

He obviously hasn't heard the joke about the actuary who went to see astrologer Madame Lulu. "In the long run, you'll be dead," she told him. He pondered, then replied: "Maybe you're right."

O happy Liffe

■ Who says derivatives are dead? The 400 or so members of Liffe who attended their Wednesday night charity racing dinner at London's Savoy hotel – paying £80 a head – raised a total of £225,000 for three charities (not including the Nick Leeson Is Innocent Fund). At £562.50 per person, business is looking healthy.

Bacon sandwich

■ Pigs might fly, but only if they don't cause a stink.

A South African Airways plane heading to South Africa was forced to turn back and make an emergency landing in the UK after 72 flatulent pigs triggered its fire alarms. More than 300 people were also on board when the pigs sparked the mid-air crisis. Everybody trotted off fast when it landed.

The Financial Times

50 years ago

Far Eastern Bonds Ahead
With the news of Russia's denunciation of the Neutrality Treaty with Japan, the market for Foreign Bonds made up its mind yesterday.

Coming on top of the resignation of the Japanese Cabinet the news was greeted as a definite step towards the shortening of the war in the Far East and Chinese and Japanese securities were quickly in active demand.

The eager speculative interest rose with the prices, until the securities of practically all concerns which could claim to have interests in the Far East were involved in active bidding and, with the market only sparsely provided with stock, quotations rose steadily.

Japanese bonds, naturally, were first to feel the impact of the demand and those who had got in early and purchased on the ground floor or in the bargain basement took an early opportunity of realising their profits.

Chinese bonds started their advance later but stolidly maintained their rises and finished strongly in persistent demand at the highest levels reached.

FINANCIAL TIMES
Friday April 7 1995

Chirac calls for France to forge closer ties with UK

By Quentin Peel in Brest and David Buchan in Paris

Mr Jacques Chirac, front runner in the French presidential elections, has called for France to forge stronger links with Britain to complement its central relationship with Germany.

Interviewed on the eve of the campaign's official start, Mr Chirac spelt out a vision of Europe in which nation states would continue to play a substantial role, a viewpoint akin to that of the UK's ruling Conservative party.

In a speech to some 7,000 supporters in Brittany, Mr Chirac said he was committed to accepting new members from the east into the European Union and to make EU institutions more democratic and transparent.

He said: "France has an essential role in keeping the [European] Commission within its proper limits, and giving the Council of Ministers a real power of decision."

National parliaments must also be more closely involved in EU decision-making to give it greater democratic legitimacy, he added, omitting any mention of the European parliament.

Mr Chirac signalled that he might seek renegotiation of the Schengen "free travel" agreement between France and six of its continental neighbours.

"Do not forget that, if the agreement is to facilitate travel of Europeans within the seven countries concerned, it is equally aimed at reinforcing our common frontier against clandestine immigration," he said.

If the latter aim was not fulfilled, France should renegotiate the Schengen agreement, which came into force on March 26.

A senior member of the Balladur government yesterday confirmed the general interest of French Conservatives in working more closely with their UK counterparts, particularly on defence.

He described the UK government's recent proposal for closer European defence co-operation as "a working basis" for discussions between Paris and London.

The French presidential campaign starts officially today with the publication by the Constitutional Council of the list of eligible candidates.

But the neck-and-neck nature of the campaign – which has been under way, in fact, for weeks – was confirmed by the release yesterday of an Ipsos poll for Le Point magazine.

It showed Mr Chirac still in front with 23 per cent of the vote, followed by Mr Edouard Balladur, the prime minister, on 21 per cent and Mr Lionel Jospin, the Socialist candidate, on 19 per cent.

Trade deal benefits questioned by World Bank

By Guy de Jonquières in London

The Uruguay Round world trade deal will do far less than expected to liberalise trade in agriculture and will permit levels of protection higher than when the negotiations started, the World Bank says.

"The Uruguay Round is something of a disappointment in agriculture," says Professor Alan Winters, head of the World Bank's international trade division. "The vast majority of trade will not be liberalised."

The World Bank's research is the first to be based on detailed analysis of specific trade policy commitments given in the Uruguay Round, rather than on statements of intent.

The bank estimates at $48bn the global economic gains from agricultural agreements in the Uruguay Round, which was completed in December 1993 after seven years of negotiations. The bank says the total would have been more than 2½ times bigger if governments had cut trade protection from existing levels instead of starting from an artificially inflated base.

The deal obliges members of the World Trade Organisation – which succeeded the General Agreement on Tariffs and Trade at the start of this year – to convert all their agricultural trade barriers into tariffs, which are to be reduced over several years.

But the World Bank says countries severely limited the scope for changes in food prices by setting tariff ceilings that provide at least twice as much protection as the barriers they were intended to replace.

It forecasts that by 2000, five years after the agreement took effect, trade protection on a range of food products in many countries will still be higher than between 1986 and 1988. That was the base period used in the agricultural trade agreement and coincided with a generally high level of protection.

The bank's research also challenges claims in other studies that the Uruguay Round will provide few benefits to developing countries and might harm poorer economies by driving up food import costs. Prof Winters says developing countries will gain more than industrialised ones, as a proportion of national income.

China accused of dumping low-priced bicycles on US

By Nancy Dunne in Washington and Tony Walker in Beijing

Three US bicycle manufacturers are seeking protection against Chinese imports which they say severely hit their operating profits last year.

The companies filed a complaint yesterday with the US Commerce Department and the International Trade Commission, alleging that China is dumping bicycles in the US at "less than fair market value".

US retailers, however, were surprised by the action. Mr Bill Dewes, manager of Chevy Chase Cycling and Fitness, said he handled Schwin bikes made in China and prices of his stock had remained steady over the past few years.

Last year, the US imported 7.1m bicycles out of a market of 16.7m. While import levels have remained steady, China's share of the overall market has risen sharply, from 14.6 per cent in 1993 to 23.7 per cent last year.

"This is not a case of volume losses," said Mr Michael Kershow who is acting for the US manufacturers. "But pricing has been a problem. The domestic industry has been forced to cut prices on every bike it sold."

The complaint was filed by Murray Ohio Manufacturing, a subsidiary of Tomkins Corporation, which is a US subsidiary of Tomkins of the UK, along with two US-owned companies – Huffy Bicycle Company, a division of Huffy Corporation, and Roadmaster, a subsidiary of Roadmaster Industries.

The three companies have been monitoring the market since Taiwanese and other Asian investors set up joint venture factories in China early this decade. Since then, production has far exceeded demand. In 1994, China produced 40m bicycles against demand of 34m. In 1992 – the latest figures available for ownership – there were 451m bicycles in China, or 38.5 per 100 people.

The US action follows the imposition of anti-dumping duties on Chinese bicycles by Canada, Mexico and the European Union.

Leading Chinese manufacturers such as Forever and Phoenix have been looking to exports – mostly to Asia and Africa – to provide an outlet for excess production. Less than 5 per cent of production of these "low end" products goes to the US.

EU attacks Canada in fisheries row

Continued from Page 1

think any damage has been done. "I think the European Commission is fully aware that they have a heck of a problem trying to convince the Spanish fleet [of the need for responsible fishing]."

Britain's opposition to the ministers' condemnation was the third time it has adopted a fiercely independent position in the dispute between Canada and the EU. Mr Michael Jack, UK minister for fisheries, said events were being driven by "uncertain" reports of what had happened in the north Atlantic.

Britain believed that any further action should concentrate on how to bring negotiations to a successful conclusion. The Commission's condemnation of Canada "would be counter-productive".

Mrs Emma Bonino, fisheries Commissioner, had hoped to present a settlement to a meeting of EU foreign ministers on Monday.

Chase under pressure after criticism of share returns

Continued from Page 1

ing business, making the value of the parts worth more than the whole, he said.

Heine's most notable achievement to date was the agreement in February for the sale of Michigan National, a Chicago-based bank, to National Australia Bank for $1.5bn.

With 8 per cent of the bank's shares, Mr Price had agitated for more than two years for the bank to take action to raise its stock price.

Chase has long been valued by the stock market at less than its stated book value, setting it apart from most other big US banks and making it a potential target for a break-up. Until yesterday, though, a forced break-up of a large bank was widely considered unlikely.

Before news of Mr Price's interest, Chase was valued by the stock market at some $6bn, or only about 85 per cent of its book value, against an average 115 per cent for comparable US banks.

Chase has won plaudits from investors for the way it handled the problems of the early 1990s, cleaning out bad loans and restructuring to run its different businesses more independently. It is now made up of three largely separate operations.

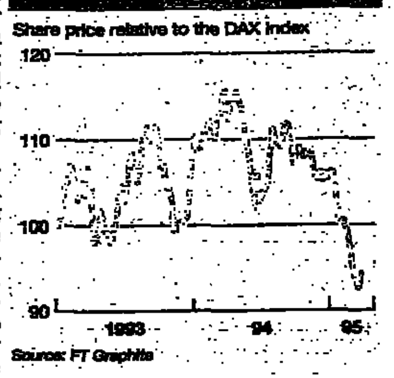
One estimate said a break-up of Chase would yield $65-$70 a share. Chase's shares climbed $3½ yesterday morning, to $41½.

THE LEX COLUMN

Price's paper chase

FT-SE Eurotrack 200: 1378.9 (+6.4)

Daimler Benz



Source: FT Graphite

Chase Manhattan must be feeling uncomfortable about its new large shareholder. Mr Michael Price has a reputation for prodding managements until they deliver better returns for shareholders. After he took a stake in Michigan National, the bank bought back shares, slashed costs and sold assets. That still was not enough to satisfy Mr Price and it ended up being sold to National Australia Bank.

Chase is vulnerable to similar prodding because its market capitalisation was, until a recent spurt, languishing at a big discount to book value. Some investors think the bank is overcapitalised and would like it to embark on a more aggressive share buy-back programme. Instead, it has chosen to build up its mortgage and custody businesses through acquisitions. The underlying strategy may be sensible, but Chase may have overpaid in its rush to gain market share.

So far, Mr Price is not spelling out exactly what he thinks Chase's management should do to promote shareholders' interests. But a slowdown in acquisitions and an accelerated return of cash to investors would seem the minimum. More radical options would be to break Chase up or merge it with another bank. The group may argue that its portfolio of businesses – such as retail banking, credit cards, mortgages and international wholesale banking – reinforce each other. But on any sum of the parts calculation, Chase is undervalued. If it is to avoid being dismembered, its management may have to find other ways of boosting the share price.

EBRD

The European Bank for Reconstruction and Development will lobby its shareholders for more capital at its annual meeting this weekend. But it has yet to prove that it has a viable role in helping Eastern Europe and the former Soviet Union through a painful transition process.

Although it has made some progress – last year it disbursed more money, in more countries, than ever before – it often seems to cherry-pick the best projects in the most developed economies. As at the end of 1994, nearly Ecu4bn of its Ecu5.8bn of financing was aimed at six of the most developed countries in the region. It operates in 25. Furthermore, 10 per cent of its financing is in the power and energy sector, which could probably have obtained project financing without EBRD backing.

This is not entirely the bank's fault. It is forced to adhere to two contradictory principles – that it should only offer financing if alternative funding is not available on reasonable terms, and that it should operate on sound banking principles.

The EBRD now finds itself in the odd position, for a development agency, of being viewed by some international investment banks active in the area as a competitor – and a potentially dangerous one, given its low funding costs. It may be performing well financially, but it is not clear that the bank is plugging a gap left by commercial financial institutions. Unless it agrees to focus more attention on basic infrastructure projects in smaller economies, shareholders should hold on to their cash.

Daimler-Benz

Daimler-Benz deserves some credit for its sharp return to profits in 1994, but not much. The DM6bn turnaround in operating profits has to be seen in the context of sales of DM103bn, and by this yardstick the group's performance is still unimpressive: operating margins were a slender 2.6 per cent.

The problem is not the profitable Mercedes-Benz automotive business, which accounts for 70 per cent of sales, but Daimler-Benz Aerospace and AEG, both of which are loss-making. Aerospace suffers acutely as its revenues are in dollars but its cost-base is predominantly in D-Marks. It also faces a strategic bind: Fokker is being sidelined amid the consolidation of the regional aircraft segment of the civil aviation industry. At AEG, the management has recently taken some effective rationalisation steps, notably the joint venture with Asea Brown Boveri in railway equipment.

The venture was a sensible admission that AEG was not big enough to go it alone in this market, but the move raises questions about Daimler's grandiose desire to be an "integrated transport technology" group. Rightly so: Daimler's diversifications away from cars and trucks have reduced rather than created shareholder value. The group's strategy needs re-defining. Cost-cutting is only part of the answer; more peripheral businesses need to be shed. Mr Jürgen Schrempp, the next chairman, should implement this break with the past as soon as he takes office.

European banks

In declaring that it intends to sell off its industrial holdings, Bank Austria is joining a pan-European bandwagon: from one country to another banks are either scaling back their large direct equity investments in industrial companies, or planning to do so.

The reason for this varies: in some cases, dire problems in the mainstream banking business are forcing institutions to divest. Such is the position at France's Crédit Lyonnais and Spain's Banesto. In Germany, banks' industrial holdings – long a source of power, prestige and profits – have more recently become a big headache. For example, Deutsche Bank's entanglement in companies such as Klöckner-Humboldt-Deutz and Metallgesellschaft has been costly and a drain on senior management time. Of the big banks, Commerzbank has been the most aggressive in making disposals, for example selling most of its stake in the Karstadt retailing group. Deutsche also cut its Karstadt holding and reduced its Daimler-Benz stake from 28 to 24.4 per cent, but would probably like to sell more of its holdings. It is, however, hampered by the penal tax consequences of selling stakes acquired decades ago.

The disposals trend is to be welcomed: it helps managements focus on the difficult enough task of managing the core businesses. The cash generated can be better invested in mainstream banking activities or handed back to shareholders. This greater focus should be good for investors. The sooner banks press on with the job, the better.

See additional Lex comment on UK hotel accounts, Page 20

FT WEATHER GUIDE

Europe today

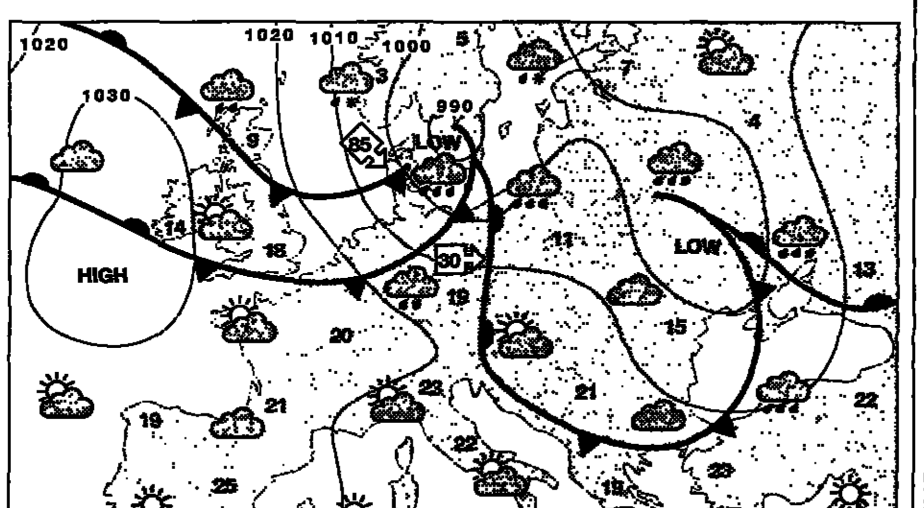
High pressure west of Ireland will bring sunny periods to most of Ireland and western parts of Scotland, Wales and England. Scotland and northern Ireland will have a few wintry showers. A low over southern Scandinavia will bring heavy rain to the region.

Temperatures will reach 15C-20C in the Lowlands and northern France. During the evening, cool air from the north-west will spread over this area and into northern Germany.

Southern France will be mainly sunny with temperatures above 20C. An active low over Libya will cause heavy thunder storms in Malta, southern Italy and Tunisia.

Five-day forecast

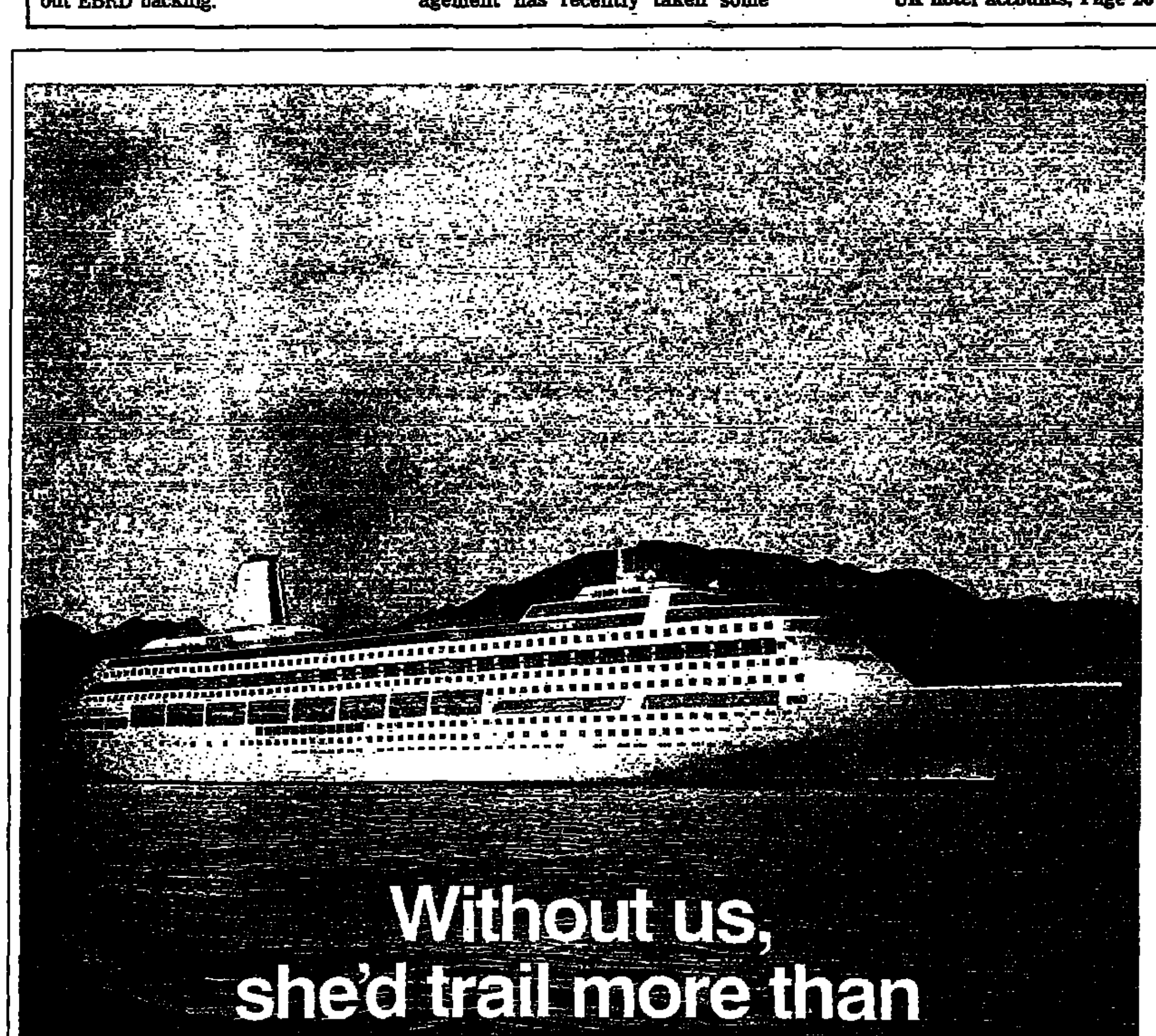
The UK can expect sunny and dry conditions. Cool air will move over western Europe with day time temperatures falling to 10C-15C. A scattered frost during the night will result. This pattern will continue until at least Tuesday. In southern Europe there will be little change. The low over Libya will move east, bringing showers and cloud to Greece and southern Turkey by Sunday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	30
Accra	cloudy	34
Algiers	fair	18
Amsterdam	shower	15
Athens	sun	21
Atlanta	*fair*	*25*
B. Aires	fair	31
B.ham	fair	17
Bangkok	fair	34
Barcelona	sun	19
Beijing	fair	20
Belfast	fair	14
Belgrade	fair	19
Berlin	rain	15
Bermuda	fair	23
Bogota	shower	21
Bombay	sun	34
Brussels	*cloudy*	*17*
Budapest	cloudy	18
C.hagen	windy	10
Cairo	fair	26
Cape Town	sun	23
Caracas	fair	29
Cardiff	fair	15
Casablanca	fair	22
Chicago	cloudy	10
Cologne	fair	19
Dakar	sun	25
Dallas	fair	26
Delhi	*sun*	*35*
Dubai	sun	29
Dublin	fair	15
Dubrovnik	fair	21
Edinburgh	fair	12
Faro	sun	22
Frankfurt	fair	21
Geneva	fair	21
Gibraltar	sun	20
Glasgow	shower	13
Hamburg	shower	13
Helsinki	fair	5
Hong Kong	*cloudy*	*20*
Honolulu	fair	28
Istanbul	sun	18
Jakarta	cloudy	31
Jersey	fair	11
Karachi	sun	35
Kuwait	sun	27
L. Angeles	fair	19
Las Palmas	sun	23
Lima	fair	27
Lisbon	sun	27
London	fair	18
Lux.bourg	fair	18
Lyon	fair	22
Madeira	fair	20
Madrid	sun	25
Majorca	fair	21
Malta	fair	18
Manchester	fair	15
Manila	cloudy	33
Melbourne	shower	15
Mexico City	fair	23
Miami	*fair*	*28*
Milan	fair	23
Montreal	sun	5
Moscow	rain	4
Munich	fair	20
Nairobi	cloudy	26
Naples	sun	21
Nassau	cloudy	28
New York	fair	13
Nice	sun	20
Nicosia	sun	23
Oslo	rain	8
Paris	fair	20
Perth	sun	31
Prague	cloudy	16
Rangoon	sun	35
Reykjavik	rain	6
Rio	cloudy	27
Rome	sun	20
S. Frsco	cloudy	17
Seoul	fair	15
Singapore	shower	33
Stockholm	rain	7
Strasbourg	shower	21
Sydney	fair	22
Tangier	fair	23
Tel Aviv	fair	25
Tokyo	fair	15
Toronto	fair	10
Vancouver	rain	14
Venice	fair	20
Vienna	fair	19
Warsaw	rain	11
Washington	fair	18
Wellington	shower	17
Winnipeg	cloudy	4
Zurich	fair	19



RECRUITMENT

JOBS: Assumptions about the UK labour market are not always backed by statistics

Mixed views on the end of a 'job for life'

Hardly a day goes by without an employer, management consultant, politician or trade union official making the assertion that Britain's labour market is growing more flexible and insecure as the "job for life" rapidly disappears.

The failure of any "feelgood" factor to emerge in the labour market despite the steady fall in registered unemployment every month for more than two years, is often blamed on the rapid growth of low-paid temporary and/or part-time jobs and the fear this arouses among those in employment about what the future holds for them.

In the new tough world of short-term contracts and casualised work, permanent full-time jobs – indeed the very idea of planning a life-time career – are seen increasingly as obsolete notions. A wide variety of people – including Professor Charles Handy; Howard Davies, the Confederation of British Industry's director-general; and Michael Portillo, the UK employment secretary – believe this to be so. But are they right? Not according to David Shonfield at the independent Incomes Data Services who claims in a research report* published today: "Predictions of a future of casualised, promiscuous employment without secure jobs are not just questionable but demonstrably wrong."

He backs up his argument by setting out what he sees as salient facts about the UK's changing labour market.

Shonfield points out that an increase in part-time employment is not a recent trend but has been going on for more than 30 years. Moreover, the fastest rate of part-time job expansion occurred not during the supposed Thatcherite "revolution" of the 1980s, but in the now-derided corporatist 1960s. Then it rose from 3 to 16 per cent of the employed workforce. Today one in four employees are part-time.

Nor are these necessarily insecure or short-term jobs. Four out of 10 women part-timers had been with the same employer for more than five years in 1993.

Shonfield agrees that temporary work has increased recently – mainly providing employment for Britain's huge student population – but it still only made up 6.5 per cent of the employed labour force in 1993.

Moreover, he argues, "all the evidence suggests the amount of temporary working is still strongly linked to the economic cycle". "Certainly some employers are making use of temporary or contract staff to cover seasonal surges in business," he admits. "The experience of two recessions has naturally made many employers cautious about recruiting permanent employees."

Shonfield also points out that the average length of job tenure has not changed dramatically. While 36 per cent of men in 1993 had been with the same employer for 10 years or more, in 1968 the equivalent figure was 37.7 per cent.

He adds that half the country's male manual workers and more than two-thirds of women worked for the same employer for five years or less at the end of the 1960s, which suggests much of the labour market was flexible then too. So much for the tradition of lifetime employment in what is now called "the golden age". Shonfield describes those years as a "period of job hopping and labour turnover", though he accepts mobility was "based on a sense of security, new-found prosperity and the welfare state" and – perhaps he should have added – the fact of "full" employment.

Much to his surprise, Shonfield found from his analysis of the aggregate statistics from Inbucon Management Consultant surveys, recent corporate delayering and restructuring "have had very little impact so far on executive career patterns".

Apparently in 1973, the average executive was aged 44, had been 13.1 years with the company and 4.8 years in the same job. In 1990 the average executive was still the same age, had been with the company 13 years and in the job for five years. It is possible the management upheavals of the early 1990s may have changed this picture.

However, Shonfield agrees the widespread experience of mass redundancy has brought "a real sense of insecurity for millions of people" and admits there is "a danger the predictions can turn into self-fulfilling prophecies". But he also believes the value of stable, permanent employment is being "rediscovered" in companies like Forte, BT and the Pelican group, which have grown "sceptical of the siren voices extolling the virtues of promiscuity".

Shonfield concludes that there is much more stable employment around in the labour market than the pundits would have us believe. He suggests the "hype about the end of careers and jobs and the need for portfolios comes from the media people, lecturers and consultants who have been pushed out of secure employment".

But his study should not breed complacency. As an article in the latest edition of the Oxford Review of Economic Policy† argues, many of Britain's workless are being forced into jobs that are increasingly temporary and low paid.

Paul Gregg and Jonathan Wadsworth point to the growth of a "secondary sector characterised by higher labour turnover among the least-skilled, young and old and those in atypical employment".

They accept the "new" insecurity has been concentrated on a minority for "whom jobs for life will become the stuff of legends", but they also maintain the numbers in that position are increasing.

Moreover, they also argue that unemployment has grown more unstable. The expected length of time a person remains jobless is 25 per cent less than in the 1980s recession, but this is due to more people leaving unemployment for inactivity, rather than to return to work.

In 1981, three-quarters of those leaving unemployment went into a job; by 1993 that proportion had fallen to only 60 per cent. "This explains why unemployment started falling so early in this recovery when employment generation remained weak," they explain.

Gregg and Wadsworth also argue entry jobs for the unemployed are offering wages at only half the average rate for those jobs. This reflects, they explain, higher turnover among the young and less skilled and the over-representation of part-time jobs. The real wages of entry jobs did not rise at all between 1979 and 1989.

They also suggest entry jobs "are increasingly taken by those who have a working partner. Those with no partner or a partner not in work are losing out in the struggle for work."

However, the authors seriously mislead when they suggest tenured full-time employment has declined from 55.5 per cent of the workforce in 1975 to 35.9 per cent in 1993, suggesting a collapse in full-time work.

That decline in tenured employment is explained not by dramatic labour market changes, but by how long a worker has to be in employment to secure statutory minimum rights. This has gone up from six months in 1975 to two years in 1993.

But their bleak message about the bottom end of the labour market is, none the less, pertinent. "As the number of full-time jobs falls, so do the numbers at risk in the higher turnover secondary sector rise," they explain. "If families dependent on benefits find it hard to take part-time, low-paid and insecure jobs, then this will inevitably generate the observed simultaneous increases in the number of families dependent on welfare support and those with two or more earners."

"Long-run poverty among families systematically disenfranchised in terms of regular access to earned incomes is the ultimate consequence of these developments," they conclude.

**The Jobs Mythology: IDS Focus 74 from IDS, 193 St John Street, London EC1 V4LS.*

†Oxford Review of Economic Policy Vol 11 No 1 Spring 1995.

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The successful candidate will report to senior executives and work closely with business managers. You will ensure that the business is supported by appropriate controls and that risk, particularly in *the trading areas, is fully identified, assessed and controlled.*

Aged 28-36 you will be a graduate, preferably ACA qualified, with audit experience gained within investment banking. In addition to a general knowledge of international banking, you will have strong mathematical skills and a good understanding of derivative products. You will possess an enquiring mind, commercial awareness, excellent communication skills and the confidence to work with traders and management at all levels.

This is a challenging position for a mature and enthusiastic individual with the initiative to sustain the development of a "value adding" audit function. Remuneration is negotiable according to experience and career development prospects are excellent.

Please write to Janet Bullock quoting ref. no. 348 and enclosing a full Curriculum Vitae which includes contact telephone numbers. All applications will be treated in the strictest confidence.

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Mercury one2one

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Financial Controller

For the Fine Arts Trade

c£30k **London**

Our client is a major International packing and shipping company dealing solely in Fine Arts. The company specialises in the world-wide shipment of antiques and operates an international import and export service through a sophisticated global network.

Due to considerable growth and expansion this young and dynamic company is seeking to appoint a Financial Controller to manage the financial and accounting function. Reporting to the board of Directors this position carries with it significant autonomy and responsibility.

You will take control of the production and presentation of monthly accounts, cash flow, credit control and the development of appropriate systems to ensure *timely analysis and production of financial information.*

This position creates an exciting opportunity for a qualified or part-qualified accountant with at least 2 years commercial experience, who is able to demonstrate a high level of motivation and business acumen supported by strong computing skills.

Please send your C.V. quoting reference P1084 to Sandra Aldridge or Chris Denington at Grant Thornton, International House, 7 High Street, Ealing W5 5DB. Alternatively call them on 0181-566 5900.

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Finance Manager

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▪ EDS is a global corporation dedicated to helping its customers achieve competitive advantage in the markets they serve through the application of information technology to business and organisational needs. EDS Unigraphics provides comprehensive CAD/CAM/CAE systems and the European region has a turnover in excess of $100m derived from over 10 European countries.

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▪ Working closely with the European General Manager and being a key member of the Unit Management Team, the main elements of the Finance Manager's role will be to manage the preparation of the European management accounts, both for local management and the US Head Office and provide critical appraisal of the commercial realism of the information from each country. He/She will also act as an important interface between the Unit and the parent company, ensuring the adherence to reporting deadlines and interpreting the group policies at the business Unit level. There is an attractive element of travel involved.

▪ A qualified accountant and probably in your mid 30s, you should have strong financial and commercial skills gained at a senior level within a sizeable high value, high margin business, demonstrable staff management ability and have made a measurable contribution to business development. Success in this role requires the maturity and persuasive skills needed to communicate and influence across a wide range of cultures and nationalities. Above all, you must be comfortable within a rapidly changing environment, with the consequent requirement to continuously adapt to meet the evolving business needs.

▪ Please send your curriculum vitae, including current remuneration details and outlining how you feel you meet these requirements, to Carrie Andrews at Ernst & Young Corporate Resources, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference CA630.

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You must be able to demonstrate experience of delivering quantified benefits from applying at least two of the following: business process re-engineering; activity based management; bench marking; cost reduction and performance measurement.

You will be aged 30+ with at least 5 years' experience in a blue chip organisation and have at least 2 years' experience in a consultancy position. Knowledge of more than one industry sector and a graduate qualification are essential.

In addition, you will have experience of business development including service promotion, enquiry handling and presentation of proposals. You must have demonstrated the ability to work at board level coupled with strong communication and presentation skills as well as project management experience.

To apply, send your CV to David J. Cumming, Senior Consultant, Bernard Hodes Ltd, Davies House, 241 St Vincent Street, Glasgow G2 5QY. Tel: 0141 248 3399. Fax: 0141 248 6225.

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Finance Director

UK Television

London **c £60,000 Package**

Our client is a worldwide market leader operating in the exciting and rapidly developing media and entertainments industry. In order to exploit the unparalleled opportunities within the exciting *International Television marketplace* a high calibre Finance Director with vision, drive and enthusiasm is sought to join the Headquarters team in London.

Reporting directly to the General Manager and the Vice President Finance, you will assume full responsibility for financial management, information systems, as well as playing a key role in strategic development within a highly entrepreneurial environment.

The initial developmental nature of the role will require primary involvement in systems development and implementation and other resource management issues. Ongoing responsibilities will encompass monthly analysis and reporting of business unit operating performance, capital budgeting, programme acquisition, cost control together with annual and 5 year planning.

Clearly this is a demanding opportunity, therefore the successful candidate must be able to demonstrate a strong record of achievement in their career to date. As a Big 6 trained ACA, you will have 5 years post qualification experience gained within a fast moving competitive environment. A self-starter with the ability to interact with senior management on a cross functional basis, you will have a thorough understanding of financial management techniques and financial modelling. Most importantly, you must display the talent, creativity and toughness to progress within a truly unique business.

Interested applicants should forward their curriculum vitae to Nigel Milford, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH. Please quote reference 220245.

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An ACA qualified Senior Audit Manager with minimum of five years' post-qualification experience, who can demonstrate excellent client handling and management skills coupled with experience in a leading audit firm. Previous exposure to high profile international work would be advantageous.

This is an important role integral to the strategy and development of the Czech practice, and prospects for the right individual are excellent.

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An experienced accountant or IT professional who has spent significant time in a computer audit environment. The role will involve high-profile systems review and consultancy assignments and responsibility for developing the computer audit and advisory practice in Prague.

All cvs should be sent to our advising consultant, Geraint Evans, at Douglas Llambias Associates, 410 Strand, London WC2R 0NS (Fax 0171 379 4820). For an initial discussion, please telephone him on 0171 836 9501 or evenings/weekends on 0181 943 9614. All applications will be treated in the strictest confidence.

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Financial Accountant

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c£33,000 + Financial Sector Benefits *Milton Keynes*

Abbey National, one of the UK's leading names in the Financial Services Sector, is constantly seeking new ways to improve its products and levels of customer service. As part of this process we recently entered into a joint venture with Commercial Union, to offer an enhanced range of insurance products to our customers.

We now seek an enthusiastic, qualified accountant to provide a comprehensive accounting service for this new venture and ensure the integrity and accuracy of the financial accounting systems is maintained.

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An ACA or ACCA, you will have a minimum of 5 years' post qualification experience, 2 of which must have been spent in a financial accounting role. You must also have a knowledge of the insurance industry, particularly DTI returns. Proven people management ability is essential, together with a knowledge of mainframe accounting packages and PC systems. You will, in addition, be a capable communicator with good presentational and report writing skills.

As well as a highly competitive salary, we offer excellent financial services benefits, together with relocation assistance, where appropriate. To support a healthy work environment, Abbey National has a no smoking policy.

Please contact Tracey Sherratt for an application package on 01908 342427. Alternatively, please write to her at the Personnel Department, Abbey National Plc, Buckingham House, Buckingham Road, Bletchley, Milton Keynes MK3 5LD. Please quote reference: FA1/LD/E. Closing date for return of completed applications: 20th April 1995.

In pursuing our policy of equality of opportunity for all, Abbey National positively welcomes applications from every section of the community.

ABBEY NATIONAL

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Senior Business Accountant

Middlesex **£35,000 + Car**

Our client is the European division of a dynamic, international plc, a worldwide leader in the manufacture and marketing of high-quality business products. Underlying that success is an established leadership position in all their product categories, and an ongoing commitment to delivering excellence through the constant review and improvement of their business processes.

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- Preparation of the European Business Plan and analysis of operating company plans.
- Undertaking a variety of ad-hoc projects at both group and operating level.
- Capital expenditure evaluation and control with emphasis on improving the decision-making model and enabling business managers to understand and utilise the process.
- Building and maintaining close working relationships with colleagues across the group, in order to identify and capitalise on commercial and financial opportunities.

The requirement is for an ambitious and innovative individual with excellent motivational skills and the ability to influence others with the provision of practical commercial advice. Candidates should be graduate calibre, qualified accountants with at least four years post-qualification experience in a large manufacturing environment. Demonstrable involvement in the business planning process and evidence of systems development are pre-requisites. A second European language, whilst not essential, would be of particular interest.

Interested applicants should write, quoting reference 228463 and enclosing a full curriculum vitae, salary details and daytime telephone number, to Anne Wilkie, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

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The successful candidate (ACA, ACCA or CPA) will have a proven record at manager level, preferably with a major international firm in Europe or North America and be fully conversant with current US/UK audit standards and techniques. Basic responsibilities will include planning, control and technical review of corporate audits in the construction, manufacturing, trading and financial sectors. Business development attributes together with the other skills and commitment necessary for rapid advancement to partnership, are all essential qualities required of the appointee.

In addition to an excellent remuneration and incentives package, other benefits will include family accommodation, transportation and paid home leave.

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Board level appointment in a rapidly expanding and highly profitable group with an outstanding portfolio of businesses, a superb reputation in its sector and a market capitalisation in excess of £120 million. The key task will be to refocus the finance function, both in head office and the divisions, to provide the requisite service to underpin growth and diversification, both in the UK and internationally.

THE ROLE

- Support the Board by providing a first-class financial and management accounting and control service, galvanising the finance team and creating a centre of excellence.
- Provide analytical and precise MIS, focusing and reviewing key performance indicators to support rapid growth and development.
- Drive integration of acquisitions. Support M&A activity worldwide and the group's increasing profile in the City, including analyst presentations.

THE QUALIFICATIONS

- Graduate ACA, ideally with a second business qualification, aged 30-40. First-class financial reporting experience gained at the heart of a tightly controlled, internationally quoted group, ideally with copyright businesses. Prior line experience advantageous.
- Analytical, commercially focused and decisive leader with excellent team building skills. An adept communicator with a succinct style.
- Determined, resourceful and pragmatic change agent comfortable in a rapidly evolving environment and capable of progressing further.

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To strengthen our team we are seeking a top calibre, business-oriented accountant, control specialist or business consultant to help advise clients on solutions to business control issues. This is not about detailed accounting controls but board level solutions for controlling real business risks.

Reporting to the director of our Control and Governance Unit, you will need strong personal qualities to help drive forward the development of this emerging specialism. In particular you will be able to demonstrate an ability to find creative solutions to business issues - and effectively communicate these to existing and prospective clients at the highest level.

Your success will also depend upon a keen intellect; strong technical ability and proven targeting, delivery and business management skills.

This role presents an excellent opportunity for someone with a background in the accounting profession, consulting or industry to develop a wider business perspective and exposure in an area of business with immense potential.

Salary c£40,000 plus car, plus benefits.

Please write to Barbara Burke, Coopers & Lybrand, Embankment Place, London WC2N 6NN enclosing a CV.

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- One of Europe's largest travel and leisure groups.
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THE POSITION
- Key role in recently established treasury team. Report direct to Group Treasurer.
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- Assist with integration of new overseas acquisition. Further ad hoc work.

QUALIFICATIONS
- Ambitious graduate, with very strong analytical and numerical skills. Possibly part ACT qualified. Ideally aged 27–32.
- Sound knowledge of basic treasury issues, particularly interest rate exposure management and documentation.
- Commercial and flexible team player with first rate communication skills. Diplomatic, hard working and keen to progress.

Please send full cv, stating salary, ref P1309, to NBS, 54 Jermyn Street, London SW1Y 6LX

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- Presence in 120 countries. Continuous sales and profit achievement. Focus on emerging markets.
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THE POSITION
- Drive group tax policy as integral part of overall business plan. Minimise tax exposure in UK and internationally.
- Provide creative expertise in taxation, corporate structuring and in optimising financial flows.
- Use detailed knowledge of fiscal environments to improve group's performance.

QUALIFICATIONS
- Broad finance and tax background in a major international group, or from the Profession.
- Extensive UK and international tax planning experience essential. Good exposure to single European market issues preferred.
- Graduate, qualified accountant, ATII preferred. Commercially aware; proactive and strong influencer/negotiator. Lateral thinker. Self-starter. Multicultural empathy.

Please send full cv, stating salary, ref SP1394, to NBS, 7 Shaftesbury Court, Chalvey Park, Slough SL1 2ER

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The role takes full responsibility for all areas of management accounting and reports to the Finance Director. The key issue to be addressed is the continued development of a standard costing system, whilst ensuring that the PRMS MRPII system is fully utilised. This will require a good understanding of, and close working relationships with, all functions - particularly MIS and Operations. A support team of five reports to the position.

Candidates will have experience in a manufacturing environment and a demonstrable track record of success in implementing the quality, accuracy and flow of management information.

The company is successful and profitable and there are real opportunities for career progression. The person appointed will be chosen for their potential to succeed to the Finance Director role.

Please send a comprehensive CV to Howgate Sable & Partners, Lawns House, Lawns Lane, Leeds LS12 5EY. Tel: 0113-279 9000, Fax: 0113-279 9999, quoting ref: F.T.1180.D

Cert No. FS 28 812

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Finance

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Combining strong technical accounting skills and commercial vision, you will manage, motivate and develop a sizeable team tasked with the timely and accurate delivery of monthly financial accounts and results forecasts, quarterly dual currency consolidated accounts and annual statutory accounts for some 25 companies. You will also be responsible for managing large and complex fixed asset and purchase ledger systems, and for liaising with auditors, tax authorities and joint venture partners, whilst ad hoc projects will include the replacement of our core financial systems. Your accounting expertise must be backed by operational knowledge of VAT, Corporation and Capital Gains Tax, plus proven man-management abilities. *Ref: FM/04*

BUSINESS AUDIT MANAGER

[illegible] ... be they financial or operational. This will involve [illegible] ... Both positions are development roles with prospects for career progression, either in finance or another management area. [illegible] ... Closing date for applications: 20th April 1995.

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THE POSITION
- A member of the Board; reporting to the Managing Director.
- Assume full responsibility for the Group's day-to-day financial management.
- Provide timely and relevant information to the Board, aiming for a forward planning pro-active perspective.
- Form the main point of contact with a network of professional advisors including banking and financial relationships.
- Carry out various ad-hoc assignments including acquisition investigations.

THE REQUIREMENT
- A qualified accountant, probably in the 35-50 age range.
- Must be able to demonstrate an excellent track record of financial management achievement, ideally in the property sector.
- a *'hands-on'* disciplined professional who is an effective and determined team player.
- An outgoing, presentable style; able to deal effectively with institutional shareholders, banks and investors.
- Personally bright, lively and enthusiastic.

If you are interested in this position, please send your CV with current salary details to: **Geoffrey Mather, K/F Associates, 252 Regent Street, London W1R 6HL, quoting ref : 5867/A.**

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FINANCIAL TIMES
COMPANIES & MARKETS

Friday April 7 1995

IN BRIEF

UBS directors in criminal inquiry

BK Vision, the investment company and largest shareholder in Union Bank of Switzerland, has filed criminal charges against UBS directors for wilfully damaging the bank. UBS dismissed the charges, which are based on purchases of its own shares during a proxy battle last autumn, as "entirely without substance". Page 16

Accor plans asset sales to reduce debt
Accor, the French hotels and restaurants group, is planning a programme of asset sales to reduce its debts by FFr6bn ($1.2bn), to FFr17bn, by the end of next year, say co-chairmen Mr Paul Dubrule and Mr Gérard Pélisson. The company has already raised FFr2.5bn. Page 16

Dow Chemical in east German deal
Dow Chemical of the US yesterday acquired an 80 per cent stake in three east German chemical plants in the largest and most expensive privatisation undertaken by the German government in the region. Page 17

Pechiney to cut borrowing by FFr1bn
Pechiney, the French aluminium and packaging group slated for privatisation, is set to reduce its debts by about FFr1bn ($206m) by cutting its stake in Carbone Lorraine, the industrial components company, and selling its Ugimag unit.
Page 17

Cellular pioneer's bold gamble
Mr Craig McCaw, the Seattle billionaire, has staked his money and his reputation as a highly successful entrepreneur on a $1.1bn investment to acquire a 23.5 per cent stake in Nextel Communications over the next six years. It is a bold gamble by one of the pioneers of cellular telephony, who believes he has spotted another winner in "integrated wireless business communications services".
Page 18

Nynex confirms £400m issue
Nynex CableComms, one of the UK's largest cable operators, confirmed yesterday that it would begin marketing a public issue next month and that the London and New York flotation was designed to raise more than £400m ($640m). Page 20

Brammer buys 25% of Spanish group
Brammer, the UK group which is Europe's largest distributor of bearings and power transmission products, is buying 25 per cent of Rodamientos USA, one of Spain's largest components distributors. The move signals a consolidation of the European distribution industry. Page 22

UK housebuilding helps McAlpine
A good performance in UK housebuilding and US contracting and building materials has boosted Alfred McAlpine, the UK housebuilding and construction group. Pre-tax profit jumped to £10.7m ($17m) during the 14 months to the end of December from £1.2m in the previous 12 months.
Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Asko Prf	515	–	14
Heideib Zem	1000	–	30
Linotype	308	–	7
PWA	260	–	7
Rosenthal	181	–	6
Varta	266	–	7
NEW YORK ($)			
Rises			
Calloway	15⅝	+	1
Chase Manhttn	40⅝	+	2⅝
Chemical Bank	40½	+	1¼
Three Five Sys	28¼	+	2⅜
Falls			
Aardaylor	32⅞	–	3⅛
Circ City Strs	24⅛	–	2⅜
LONDON (Pence)			
Rises			
Appleyard	108	+	8
Bostrom	320	+	21
Harrington Klb	38	+	18
Vardy (Reg)	205	+	17
Watmoughs	380	+	22
Falls			
Ensearch	39	–	9
TORONTO (C$)			
Rises			
Diamond Fields	26⅛	+	1¼
Goldcorp CLB	11⅞	+	⅜
Falls			
Corby Dist B	32	–	2
Coll Corp		–	
Dal Mat Mnr A	9	–	⅞
Third Can Inv	11⅝	–	1⅝
PARIS (FFr)			
Rises			
AGF	168.5	+	5.5
Dollfus Mieg Cie	262.9	+	16.1
Eurafrance	1488	+	68
Suez	245.3	+	7.1
Falls			
Crdt Lyon (CI)	214.5	–	10.5
Immobanque	779	–	21
TOKYO (Yen)			
Rises			
Kyokuto	550	+	37
Nintendo	5160	+	260
Nippon Signal	835	+	35
Falls			
Mitsui Fudosan	912	–	32
Shionogi	780	–	49
Victor (JVC)	952	–	43
HONG KONG (HK$)			
Rises			
CDL Hotels	3.2	+	0.175
Grand Orient	2.45	+	0.15
Pearl Oriental	2.7	+	0.15
Shui Hing	7.1	+	0.3
Vitasoy Intl	2.925	+	0.1
Falls			
China Light	36.3	–	0.9
BANGKOK (Baht)			
Rises			
Thai OPP	45	+	4
Thai President	282	+	18
Falls			
Compass East	199	–	15
Kiatnakin Fin	60	–	5
New Plus Kt	24.25	–	3.75
Songkla Canning	39	–	3.5

New York and Toronto prices at 12:30.

Olivetti sets up telecom challenger

Venture by Italian computer group and Bell Atlantic of US seeks to chip at Telecom Italia's dominance

By Andrew Hill in Milan

Olivetti, the Italian computer group, and Bell Atlantic, the US telecommunications company, want to challenge Telecom Italia's dominance of the Italian market for business telecom services.

The two companies announced yesterday that they hoped to win a 10 per cent share of the L30,000bn ($17.7bn) market by the end of 1997, with a joint venture called Infostrada, offering data and voice transmission services.

The new venture, 67 per cent of which will be owned by Olivetti and the rest by Bell Atlantic International, is the latest attempt by the Italian computer group to expand its telecoms interests. Both Olivetti and Bell Atlantic are big shareholders in Omnitel Pronto Italia, which is building Italy's second digital mobile phone network, also in competition with Telecom Italia.

Infostrada joins a growing list of international companies and alliances trying to break into the Italian telecoms market as it is opened up to more competition.

For example, British Telecommunications of the UK and MCI, the US telecoms group, are already active in the Italian market for business services. Cable & Wireless, the UK-based telecoms company, recently won the contract to handle international telephone and fax communications for Eni, the state-owned energy and chemicals group.

Both Mr Riccardo Ruggieri of Olivetti and Mr Alexander Good, chairman and chief executive of Bell Atlantic International, played down the direct challenge to Telecom Italia. "We will continue to be a big client for Telecom Italia, because any service we sell will use lines leased from Telecom Italia's infrastructure," said Mr Ruggieri, head of business development at Olivetti Telemedia, the Italian company's telecoms and multimedia arm.

Bell Atlantic also has links with Stet, Telecom Italia's parent company, through a joint venture to develop multimedia services. But Mr Good said he did not believe that linking up with Olivetti would lead to a conflict of interest at this stage.

How fast Infostrada and its competitors develop depends on regulatory changes. Telsystem, a small company offering closed networks to Italian business clients, fought through the Italian courts for the right to lease lines from Telecom Italia, which was afraid its government-set tariffs would be undercut by the new rival. Olivetti said yesterday that Infostrada had already agreed to lease lines from the state-controlled company.

Infostrada will start life with only L50bn of capital, but both partners said they might open the venture up to new shareholders. Olivetti said the Infostrada network would in due course be available throughout Italy, reaching all types of business clients, and offering advanced services such as voice and video transmission.

Confident Daimler raises its dividend

By Christopher Parkes in Frankfurt

Daimler-Benz yesterday demonstrated its confidence in continuing recovery by offering shareholders a DM11 dividend – up from DM8 the previous year.

The group's supervisory board, which also announced a sharp recovery in earnings, underlined its confidence in Mr Edzard Reuter, retiring chairman, by nominating him to join its ranks later this year.

Careless suggestions by Mr Reuter had earlier put his prospects of following the traditional retirement route from boardroom into the non-executive supervisory body into doubt. He had suggested that he might take over the chair of the supervisory board from Mr Hilmar Kopper, head of the mighty Deutsche Bank.

Although full details of last year's performance by Germany's largest industrial group will not be released until next Wednesday, raw data published yesterday showed a swing from an operating loss of DM3.3bn in 1993 to a profit of DM2.7bn ($1.92bn). Net income, calculated according to the US accounting standards adopted for Daimler's quotation on the New York Stock Exchange, recovered to DM1.05bn after a deficit of DM1.8bn.

Post-tax earnings by German standards rose to DM895m from DM615m. Although this was well below historic standards, the supervisory board's decision to offer a DM3 increase in the dividend, compared with analysts' forecasts of a DM2 rise, will be seen as a clear indicator that Daimler expects further profits progress in the next few years.

Consolidation of the cuts in labour and administrative costs are likely to show continuing benefits, while the management has recently suggested further savings were possible on bought-in supplies and services.

Vehicle parts makers were told earlier this month that Daimler's Mercedes-Benz car and commercial vehicles subsidiary expected to cut component costs by DM1bn this year following economies of DM1.5bn in 1994. Mercedes, which will detail its results on April 26, is expected to have fulfilled its usual role as Daimler's main source of turnover and profits, although hopes of better performances from other divisions have been bolstered by recent rationalisation.

Lex, Page 14

Chrysler picks its battery for electric vehicles

By Richard Waters in New York

Chrysler yesterday named the battery that will power its first generation of electric vehicles when they begin to roll off production lines sometime in the next three years. But it warned that battery-powered vehicles would remain too expensive and would have too short a range to win mass market appeal.

Chrysler's announcement that it has signed a three-year agreement to buy batteries from Electrosource, a Los Angeles-based company, marks the latest phase in the rush by motor manufacturers to produce a practical electric vehicle to meet deadlines laid down by three US states.

California has told all manufacturers that 2 per cent of the cars they offer for sale in the state from 1998 onwards must give off no emissions – a move followed by New York and Massachusetts. Although they are still resisting the mandates, the big three US motor manufacturers are all working to the timetable to bring out electric vehicles.

Electrosource's Horizon battery marks an advance over previous batteries, but does not meet the medium-term performance targets laid down by the motor industry, said Mr Robert Feldmaier, the chief engineer for Chrysler's electric mini-van development.

"Finding a lightweight, inexpensive and powerful battery remains the barrier to the mass market," Mr Feldmaier said.

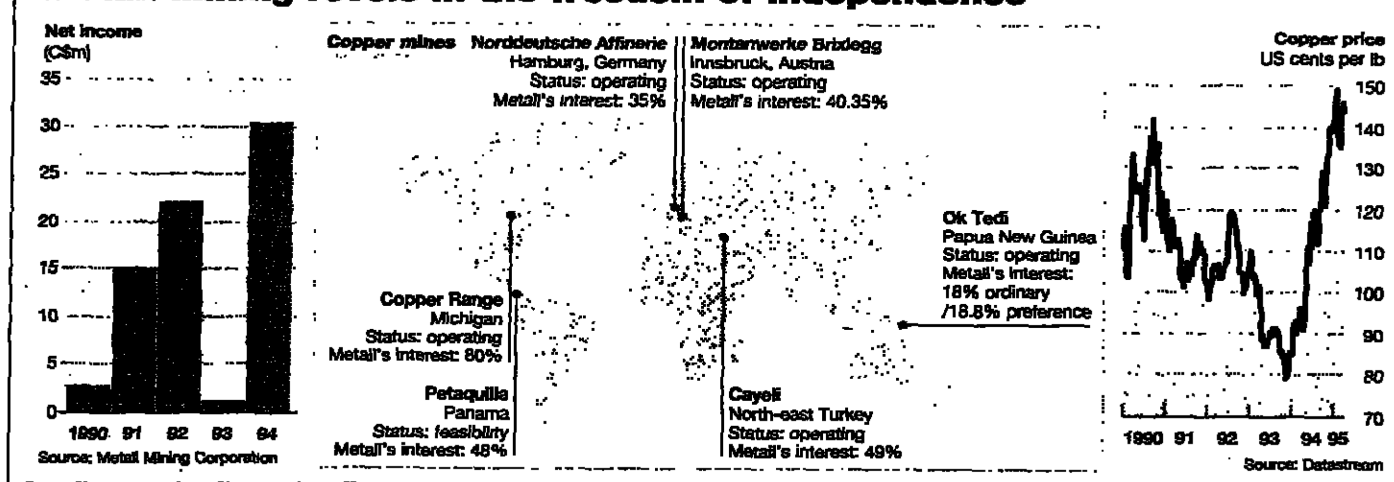
The Horizon battery will power a Chrysler mini-van for between 60 and 70 miles (96 to 112km), although the distance will fall if the air conditioner or heater are in use, or if the car is driven in bad weather or over hills.

It will cost around $400 per kilowatt hour of power, compared to the medium-term target of around $150 set by the industry – though mass production would bring the cost down close to the target, Chrysler said.

The new battery is based on lead-acid technology, making it similar to the current generation of batteries. Chrysler said it had waited in vain for a manufacturer to come forward with a more advanced battery that was able to meet its cost and production requirements.

"The reality remains that our new electric vehicle will be very expensive and will have the equivalent of a two gallon (7.6 litres) gas [petrol] tank that takes eight hours to fill on normal house electric current," Mr Feldmaier said.

Metall Mining revels in the freedom of independence



Canadian group's split with Metallgesellschaft, Page 19

Groups strengthen hands for bids to run central Europe's biggest equity deal

Banks line up for Matav sale

By Nicholas Denton in London and Virginia Marsh in Budapest

Three heavyweight banking consortia lined up yesterday to bid to manage central Europe's biggest ever equity deal, the sale of up to 40 per cent in Matav, the Hungarian telecommunications company.

CS First Boston, Salomon Brothers and N.M. Rothschild, the three competing banks short-listed by the Hungarian authorities, each strengthened their groups by yesterday's deadline for submissions.

CSFB, the US-Swiss house, has bid with Deutsche Bank, Germany's leading commercial bank.

N.M. Rothschild, the UK merchant bank, has brought in Goldman Sachs of the US to add international distribution; and Creditanstalt Securities, a subsidiary of the Austrian bank, has joined providing a local presence. Salomon Brothers of the US has teamed up with Concorde Securities, a local brokerage house.

An offering at the current market price would raise about $1bn for the Hungarian government and generate fees of $30m-$50m for the winning group of banks. It is the most lucrative mandate to be awarded in the region.

Proposed international equity placements by Russian oil and gas companies such as Gazprom – which is being advised by Kleinwort Benson – are potentially larger. But investment bankers consider a Matav offering more likely to succeed.

The Matav deal is important to CSFB because its recent record in winning mandates has not matched its extensive presence in central Europe: it has no role as adviser in the tender for SPT Telecom of the Czech Republic.

Winning would help Rothschild, which specialises in advice, claim it can organise international equity issues. Salomon has been known as a bond house; deals in central and eastern Europe are central to its drive to increase its equity and advisory business in Europe.

Matav is controlled by a consortium of Deutsche Telekom of Germany and Ameritech of the US, which paid $875m for a 30 per cent stake in 1993, in central and eastern Europe's first telecoms privatisation.

They opposed an early equity offering because an offer price below that at which they bought in would have forced a write-off of their investment.

The Budapest authorities last autumn began exploring the feasibility of a private placement of a tranche of about 10 per cent, followed by a public equity offering at a time more acceptable to Telekom and Ameritech.

In the current tender, however, the government has left the terms of reference loose and the bidders free to propose different timetables and structures for the disposal. Its choice is expected in one month.

Rothschild advised the Hungarian government on the initial privatisation of Matav and believed that its contract gave it a right to manage a subsequent equity offering, but Budapest reopened the tender for the mandate.

An important factor in the government's decision will be the collapse last month of the sale of Budapest Bank, one of Hungary's leading commercial banks, to Credit Suisse of Switzerland. Salomon advised Hungary on the sale; CSFB was closely associated with Credit Suisse, a fellow member of the CS group.

Review of Barings was just around the corner

By John Gapper, Banking Editor

The Bank of England intended to commission an independent review of the management controls of Barings, the collapsed merchant bank, this year to check that they were adequate following a reorganisation. However, Barings collapsed in February before the review could be ordered.

Such a review would probably have led to the Bank being shown a copy of the internal audit report into Barings Futures (Singapore), Mr Nick Leeson's trading unit, which warned of weaknesses in controls.

Mr Brian Quinn, the Bank's executive director for financial stability, told the Treasury and Civil Service Select Committee on Wednesday that the Bank was not shown the report, despite being the chief supervisor for Barings.

It has emerged that the internal audit report was sent to nine Barings executives, of whom the most senior was Mr Peter Norris, head of investment banking. The report said Mr Leeson should relinquish some responsibilities.

The Bank had decided to respond to Barings' effort to combine securities and corporate finance operations by asking Coopers & Lybrand to review its controls.

● Price Waterhouse investigators in Singapore said they were still investigating the possibility that Mr Leeson conspired with people inside or outside Barings to defraud the bank.

Draft report, Page 22; Letters, Page 12

Hanson's US demerger clears a hurdle with $1.65bn facility

By Tim Burt in London

Hanson, the Anglo-US conglomerate, yesterday overcame one of the last remaining hurdles to its planned demerger of 34 US industrial businesses by securing bank facilities of $1.65bn to fund the spin-off. Once completed, the demerger will reduce Hanson's debt by £850m ($1.36bn), enabling it to consider a big acquisition.

The group is understood to be contemplating a substantial bid, preferably for a non-cyclical business in the UK. Rumoured targets have included Yorkshire Electricity, United Biscuits and, most recently, British Gas.

"Our object is to add to our existing businesses and make interesting acquisitions in areas where we can enhance earnings," Hanson said yesterday.

The proposed demerger, which will be put to shareholders at an extraordinary meeting next month, would considerably increase its ability to pursue such deals by cutting gearing from 58 per cent to 38 per cent.

Yesterday's bank agreement means that the North American businesses, to be renamed US Industries, will pay Hanson about $1.4bn for activities such as Jacuzzi Whirlpool Baths and Ertl Toys while using the remaining $250m for working capital. The lending facility – arranged by Bank of America – was more than twice over-subscribed, with more than 40 US and international banks committing $8.85bn to help finance the transaction.

"This facility represents the largest segment of our financial structure and by successfully getting it in place, we remain on track for a smooth and timely launch as a public company," said Mr David Clarke, chief executive of Hanson's US arm and prospective chairman and chief executive of US Industries.

Although the demerger will deprive Hanson of about 15 per cent of its operating profits, some analysts suggested it would enable it to make an acquisition of up to £3bn without overstretching the balance sheet.

Hanson has reached an agreement with Britain's Inland Revenue enabling existing UK shareholders to receive US Industries shares without incurring tax liability. US Industries will be based in both Britain and the US.

UBS faces criminal investigation

By Ian Rodger in Zurich

BK Vision, the investment company and largest shareholder in Union Bank of Switzerland, has filed criminal charges against UBS directors for wilfully damaging the bank.

UBS dismissed the charges, which are based on purchases of its own shares during a proxy battle last autumn, as "entirely without substance".

This latest move in the long-running battle over governance between the directors of UBS and Mr Martin Ebner, BK Vision chairman, appears to make a settlement more difficult than ever to achieve.

Up until now, BK Vision has filed only civil charges aimed at invalidating a vote at a shareholders' meeting last November in favour of converting UBS registered shares into bearer shares.

Two weeks ago, a proposed compromise settlement that would have seen those charges withdrawn was rejected by BK Vision because it did not contain any punishment of UBS directors.

Under Swiss legal practice, the Zurich district attorney must investigate the criminal charges to determine if the evidence warrants bringing a case to court. Mr Christian Weber, the district attorney, would not say yesterday how soon he would decide. UBS confirmed that some of its representatives had been questioned.

BK Vision's charge is that "responsible bodies" at the bank knowingly betrayed shareholders' interests by buying registered shares during the run-up to the November vote.

It says the directors knew and acknowledged publicly that the value of these shares would drop if their proposal to convert them was accepted by shareholders, and they consistently said that they were confident their proposal would be accepted.

The registered shares were then trading at a large effective premium to the bearers, because they carried roughly five times the voting power of the bearers. However, the conversion terms provided no compensation for this extra voting power. Thus, if the motion was passed, the premium was bound to disappear.

In fact, the premium has survived, mainly because BK Vision has won an injunction preventing implementation of the conversion until its court challenges are decided.

However, the value of both classes of UBS shares has dropped sharply, partly due to investors' frustration over the continuing battle. UBS said in its 1994 annual report that the value of its own shares bought during the year was, at year-end, SFr236m ($207.9m) lower than their cost.

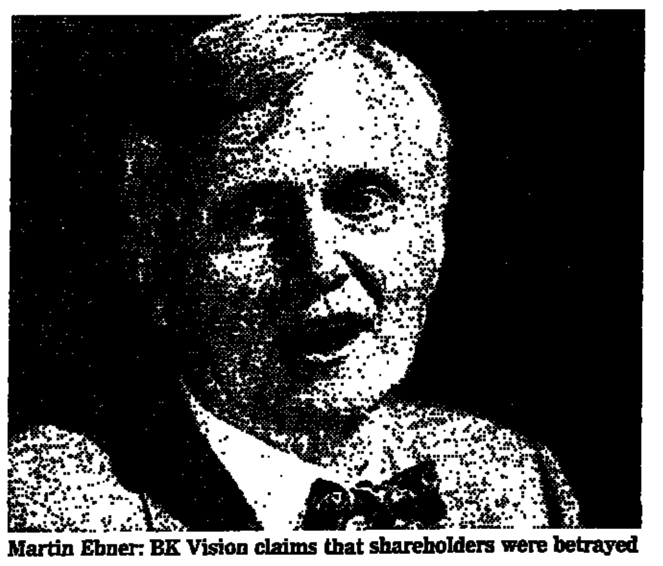
UBS has defended the purchases, saying that in the longer term, the shares' value would rise.

It had the transactions examined by its internal and external auditors, and by legal experts. All confirmed they were carried out "correctly and in accordance with strict legal criteria", the bank said yesterday.

BK would not say why it had laid the charges now. But it is in an awkward position as the April 27 UBS annual shareholders' meeting approaches.

As a result of UBS's share purchases last year, BK has fewer shareholder allies to support its causes. It has not put forward any motions and it is unlikely to contest the validity of the voting because that could block the dividend payment.

Now it can preserve its challenger image by voting against the customary motion discharging the directors for their performance last year.



Martin Ebner: BK Vision claims that shareholders were betrayed

Top French mutual bank posts 8.5% profits rise

By John Ridding

Crédit Agricole, France's biggest mutual bank, yesterday announced net profits of FFr5.8bn ($1.2bn) for last year, a rise of 8.5 per cent over 1993.

Mr Lucien Douroux, managing director, described the results as satisfactory, and said they vindicated the company's strategy. The improvement in the economy had allowed the group to reduce its provisions to FFr14.1bn from FFr19.6bn.

However, the operating profit declined by 18 per cent to FFr22.9bn, while net banking income fell 7 per cent to FFr64bn. The slip was blamed partly on increased competition in the banking sector and on the decline in the value of its bond portfolio because of the rise in interest rates. Crédit Agricole added, however, that its capital adequacy ratio had improved last year, to 10.2 per cent from 9.8 per cent.

On a separate issue, Mr Douroux said he doubted the move by Banque Nationale de Paris to buy a stake in Suez, the financial services group, was simply an investment. Mr Douroux, who sits on the Suez board, said he had been surprised by BNP's accumulation of a 5 per cent stake in Suez and was watching the situation closely.

BNP says the stake is simply an investment, but industry observers believe the bank may be seeking to pressure Suez into selling Indosuez, its investment banking arm, or forming a partnership with BNP.

Accor seeks to reduce debt through asset sales

By John Ridding in Paris

Accor, the French hotels and restaurants group, aims to reduce its debts by FFr6bn ($1.2bn), to FFr17bn, by the end of next year, say co-chairmen Mr Paul Dubrule and Mr Gérard Pélisson.

The reduction goal will be met through a programme of asset sales which has already allowed the company to raise FFr2.5bn, they told Les Echos, the financial daily.

"We will be capable of keeping to our target of a net profit at least equal to that of 1993 [FFr615m], with operating profit showing a very sharp increase," they said. They forecast a cycle of rising profits that for the next five years, similar to that of 1985-1990.

Their comments followed an announcement by the company that it was moving to buy out the remaining 30 per cent of the shares in Wagons-Lits, the Belgian travel and tourism group, it does not already have. The offer appears to mark the final step in a long and controversial acquisition, which was launched in 1990 when Accor bought a 28 per cent controlling stake in the Belgian group. A series of court battles with minority shareholders ended last year when Accor made a payment to the investors.

Accor said the buy-out would enable it to achieve economies of scale by completing the integration of the two groups on an operational and industrial level. The move was approved by Société Générale de Belgique, the financial group controlled by Suez of France which holds 12.23 per cent of Accor's shares.

After the buy-out, however, which is based on an exchange of 20 Accor shares for seven Wagons-Lits shares, SGB will be overtaken on the share register by Caisse des Dépôts, which will see its stake rise to 13.85 per cent from 7 per cent. Mr Pélisson and Mr Dubrule said, however, they expected the holding of the Caisse des Dépôts to be reduced over time.

Yesterday shares in Accor fell FFr13 to FFr569, reflecting the dilution that the operation would have on earnings per share.

Béghin-Say income dips 10%

By David Buchan in Paris

Eridania Béghin-Say, France's second largest foodstuffs company, yesterday reported a 10 per cent fall in net income to FFr1.2bn ($248m) in 1994.

This came after restructuring costs and flat overall sales last year.

EBS, which is controlled by Montedison of Italy, said the 1.7 per cent drop in operating profit was primarily due to the sugar operations which returned to a more normal performance after an exceptionally good year in 1993.

Improved profitability in starch and animal feed failed to offset the downturn in sugar, overcapacity in the European oil seed crushing sector, and the effect of currency depreciations.

Sales in Italy, Spain and the US fell FFr800m when translated into French francs, because of the appreciation of the franc against the currencies of those countries.

The drop in net income, to FFr1.2bn last year from FFr1.34bn in 1993, was mainly due to one-off restructuring costs in Italy, where EBS closed two of its five crushing plants, and in Hungary.

In addition to the cost of laying off workers, the company had to write down the assets. The net impact of these exceptional items, which included some asset sales and purchases, was FFr300m.

However, EBS reduced its financial costs to FFr1.07bn from FFr1.2bn in 1993. Total debt fell to FFr10.7bn last year from FFr12.5bn, partly through the conversion of a May 1991 bond issue into equity. This raised shareholders' equity to FFr18.9bn last year from FFr16.5bn in 1993.

EBS sales have been less cyclical than those of other French companies, many of whose increases were largely due to a recovery from the slump of 1992-93.

Partly in recognition of this, the EBS board maintained the dividend at FFr30 per share and investment certificate.

ABB Polska net climbs 8% for full year

ABB Polska, which groups 13 Polish units of the Swiss-Swedish group ABB Asea Brown Boveri, made a net profit of 46.1m zlotys ($19.39m) in 1994, 8 per cent more in real terms than in 1993, Reuter reports from Warsaw.

The group, which employs 7,000, reported revenues of 609.3m zlotys last year, compared with 419m zlotys in 1993.

Export revenues dropped to $50.6m from $56.8m the previous year, reflecting the lower demand from foreign markets. Power generation remained the largest sector within ABB Polska's operations, while the company also engaged in power transmission, industrial construction and transportation.

Solid increase in new orders helps lift VA Technologie

By Ian Rodger

VA Technologie, the Austrian plant engineering group 51 per cent privatised last May, has reported a 6 per cent rise in consolidated net income in 1994, to Sch979m ($100.5m), and a 21 per cent jump in new orders to Sch35.8bn.

Pre-tax profit advanced 16 per cent to Sch1.13bn, on turnover up 24 per cent to Sch27.9bn.

Earnings per share, calculated according to the Austrian financial analysts' method (OeVFA), were up 19 per cent to Sch66.30.

Mr Othmar Pühringer, chief executive, forecas "further pleasing growth in all the key figures" in the current year.

The directors are recommending a one-third increase in dividends to Sch24 a share.

Mr Pühringer said all subsidiaries had contributed to the positive results. The group's business in east Asia came in for special mention, after rapid growth during the period. The region accounted for more than one-fifth of its order intake last year, compared with 9 per cent in 1993.

VA Tech has won large orders in Korea and India for its new Corex technology for the direct reduction of ore to pure iron for steel-making.

Pre-tax profits of the metallurgical engineering division were Sch394m on revenues of Sch6.1bn, while the energy and environmental engineering division achieved profits of Sch507m on revenues of Sch11.9bn.

The construction and engineering services division posted profits of Sch225m on sales of Sch9.8bn.

Mr Helmuth Hamminger, finance director, said VA Tech hoped later this year to buy the share of its 50:50 joint venture, Austrian Energy & Environment, held by the construction and engineering group Waagner-Biro.

Bank Austria, which owns 85 per cent of Waagner-Biro, is about to launch a public bid for the remainder as a prelude to selling off its assets.

Banque Worms reduces losses

Banque Worms, a unit of Union des Assurances de Paris, reduced its losses last year to FFr81m ($16.7m) from FFr1.2bn in the previous 12 months, Reuter reports from Paris. The reduction follows a move by UAP to transfer FFr11.2bn of doubtful property loans from Banque Worms to other parts of UAP.

Audi out of red with DM195m

By Christopher Parkes in Frankfurt

Audi, the Volkswagen group's quality car division, returned to the black last year, with pre-tax profit of DM195m ($140.9m) compared with a loss of DM148m in 1993.

Company executives yesterday reported a marked recovery, concentrated in the second half of the year, which resulted in 7.3 per cent increase in sales to DM13.5bn, and a 3.4 per cent rise in vehicle production.

The company, which increased its output of engines by 6.3 per cent, also cut its workforce by 4.4 per cent.

Forecasting better profits this year, Mr Herbert Demel, chairman, said he expected sales to increase by at least 10 per cent. Deliveries to customers had risen almost 17 per cent in the first quarter. Domestic sales were almost 50 per cent higher, and German market share was 6.5 per cent compared with 4.6 per cent in the first three months of 1994. However, deliveries elsewhere in western Europe were down 13.5 per cent.

Production of cars and engines was up 25 per cent and 20 per cent respectively, the company said.

INTERNATIONAL COMPANIES AND FINANCE

Pechiney to cut debts by FFr1bn

By John Ridding in Paris

Pechiney, the French aluminium and packaging group slated for privatisation, is set to reduce its debts by about FFr1bn ($206m) by cutting its stake in Carbone Lorraine, the industrial components company, and the sale of its Ugimag subsidiary.

The proceeds, which should take the group's net debts to just over FFr24bn, result from operations announced yesterday which will reduce Pechiney's holding in Carbone Lorraine to about 40 per cent from 61 per cent.

As part of the operation, Pechiney will sell Carbone Lorraine its Ugimag division, one of the biggest international producers of permanent magnets. Carbone Lorraine also unveiled plans to buy Dietrich, a German manufacturer of components for electrical appliances with annual sales of about FFr60m.

The 21 per cent stake in Carbone Lorraine is to be sold to Paribas Affaires Industrielles, the industrial portfolio of France's Paribas banking group. Both Paribas and Pechiney will subscribe to a capital increase of between FFr200 and FFr250m for the components business.

The deals reflect Pechiney's strategy of reducing its debt in preparation for privatisation.

Mr Jean-Pierre Rodier, who took over as chairman last year, has outlined a strategy of debt reduction and of focusing on core business to prepare the group for the sale.

Details of the strategy are expected to be announced next week.

Mr Patrick Kron, chairman of Carbone Lorraine, said the operation represented an effective privatisation of the company and would thus require authorisation from the government.

He said the sale of Ugimag would give Pechiney about FFr290m, while the former parent company would receive FFr200m from the sale of the 21 per cent stake to Paribas. The removal of Carbon Lorraine's debt from the group balance sheet would also reduce net debts by about FFr500m.

Announcement of the deals came as Carbone Lorraine revealed that it had returned to the black. Last year, the company recorded a net profit of FFr31m, compared with a loss of FFr107m in 1993.


Jean-Pierre Rodier: preparing group for privatisation

Dow buys three east German chemicals plants

By Judy Dempsey in Berlin

Dow Chemical of the US yesterday acquired an 80 per cent stake in three east German chemical plants in the largest and most expensive privatisation undertaken by the German government in the region.

The remaining 20 per cent stake will be held by the German state.

Dow bought the Buna, Leuna and Böhlen complex from the Bundesanstalt für vereinigungsbedingte Sonderaufgaben (BvS), the successor to the Treuhand privatisation agency. The plants, which employ 5,000, are operating at a loss.

The US group has pledged to invest DM4bn ($2.89bn) in upgrading the plants by the year 2000. The German government will provide at least half of the investments. The purchase price, however, was not disclosed.

Mr William Stavropoulos, president and chief operating officer of Dow, said the company "is ideally situated to serve the growing and emerging markets of central and eastern Europe".

Dow bought the ethylene dichloride and vinyl chloride monomer plant at Buna, which includes rubber production facilities. It has also acquired the polyethylene plants at Leuna and the steam cracker at Böhlen, which produces the main building blocks for derivative plants at all three sites.

The plants, based in the eastern state of Saxony-Anhalt, once the centre of the East German chemical industry, last year recorded losses of more than DM300m on turnover of DM1bn. The losses will be picked up by the BvS.

Mr Elmar Deutsch, vice-president of Dow Europe and general manager of Dow Deutschland, said he expected sales to increase to about DM1.5bn within the next three years. The company did not expect the plants to be in the black until the restructuring is complete by 2000.

Dow will also guarantee 3,000 jobs. However, it will be allowed to reduce the workforce to 1,800 without incurring any penalties with the BvS. Buna alone employed over 18,000 people before German reunification in 1990, while combined, the three chemical units employed more than 25,000.

Dow, however, faces three hurdles before it begins operations in June:

● Germany's finance ministry and the European Commission have to approve the sale, which will require scrutinising the level of subsidies provided by the German government;

● Dow has to negotiate a competitive energy supply with VKR, the west German utility which, together with PowerGen of the UK and NRG of the US, is building a power plant at Schkopau, near Leipzig and close to the chemical plants.

● Dow still has to seek approval for building a multi-feedstock liquid pipeline from the port of Rostock in the north of east Germany to Böhlen, which is crucial if the cracker is to be competitive.

Volvo to develop new range of light trucks for Europe

By Kevin Done, Motor Industry Correspondent

Volvo of Sweden, the world's second biggest heavy truck maker, is to enter the European light truck market for the first time as part of a strategy to increase its share of the world commercial vehicle market.

Its decision to press ahead with the development of a new range of light trucks (7.5 tonnes gross vehicle weight) will allow it to challenge for the first time established rivals such as Mercedes-Benz, Iveco, MAN, Renault and Daf in this segment of the European market.

Mr Karl-Erling Trogen, chief executive of Volvo Truck, the Swedish group's commercial vehicle division, said the development of the light truck was "a priority project".

Volvo increased its truck sales worldwide in the first two months this year by 23.6 per cent to 11,408 from 9,233 a year ago. Mr Trogen forecast growth of 10-15 per cent for the full year.

The group had a current order book of close to 50,000 vehicles, with average delivery times of about 6 months.

Earlier this year, Volvo announced it would invest SKr1.7bn ($230m) to expand its truck production capacity outside North America – most importantly in Europe – by 20 per cent to 60,000 trucks a year by 1997.

However, Mr Trogen acknowledged that the group was losing business because of its long delivery times.

Volvo is expected to invest about SKr700m in its new light truck project, with the aim of creating a capacity to produce up to 10,000 trucks a year.

The vehicle would be launched "well before 2000", Mr Trogen said.

The expansion and the move into the light truck market comes as Volvo's profitability is recovering rapidly in response to a tough restructuring programme carried out during the recession, and to rising demand in world auto markets.

In order to speed up the development time and cut costs, Volvo is expected to purchase the main components for its planned light truck range, such as engines, gearboxes and axles, from outside suppliers.

In the heavy truck sector, where Volvo is in second place in the world behind Mercedes-Benz of Germany, it develops and manufactures its main powertrain components in-house.

"We want to do something very fast to get into the market with most of the components coming off the shelf in the short term," said Mr Trogen.

He said the decision to enter the light truck market was "both an aggressive and a defensive strategy".

The new truck would broaden Volvo's range in Europe and would also make "an excellent entry vehicle" for emerging markets, which are expected to provide much of the future growth for commercial vehicle makers.

At the same time, Mr Trogen said Volvo's move to offer its European dealer network a complete range of light, medium and heavy-duty trucks would "make it tougher for the Japanese to enter Europe".

Japanese vehicle makers are pursuing an aggressive strategy to expand their presence in the European car market, but have made only minimal inroads into the truck sector.

Volvo, which increased its truck deliveries worldwide by 33.5 per cent to a record 68,500 last year, is expanding capacity in Europe and expects to add 700 jobs at its European truck plants by 1997, in addition to the 1,600 hired in 1994.

It is investing more than SKr1.2bn in Sweden to raise production capacity for truck cabs, engines, transmissions and axles.

It is also investing SKr312m to increase final assembly capacity in Belgium, the UK, Poland and Sweden.

McDonnell Douglas committed to new jet

McDonnell Douglas, the US aerospace group, said it was committed to bringing to market its 100-seat MD-95 jet aircraft, although it does not currently have firm commitments for orders from an initial, or launch, customer, Reuter reports from California.

McDonnell Douglas said it was "talking to potential customers" who were expected to reach decisions on ordering in the second half of the year.

It is McDonnell's strongest statement of confidence in the new aircraft since losing out in March to its arch-rival Boeing on a 35-aircraft order by the loyal McDonnell customer Scandinavian Airline Systems, previously a loyal McDonnell customer.

"McDonnell Douglas and its board of directors are firmly behind the MD-95," the company said after a meeting in Long Beach with suppliers and partner companies.

Traditionally, an aircraft maker does not commit to going ahead with a new model until a launch customer assures it of a sufficient number of initial orders to indicate that the new aircraft programme will be economically justified.

Industry observers have expressed grave doubts about the future of the MD-95, and indeed about the company's future in commercial aviation, after SAS defected to Boeing.

● Boeing said yesterday that it had delivered 59 commercial jet transports in its first quarter ended March 31.

The US group said commercial jet transport deliveries for the full year were now projected at about 230 aircraft, including 19 Boeing 777s.

First-quarter deliveries consisted of 29 Boeing 737s, eight 747s, 14 757s and eight 767s.

NEWS DIGEST

Life insurance side lifts Fortis 15% for year

Fortis, the Belgian-Dutch financial services group, posted a 15 per cent increase in net profits for 1994, with life insurance showing an especially strong performance, writes Lionel Barber in Brussels.

Net profit rose to Ecu549m ($397.33m) from Ecu476m last year. For the first time, the results included a contribution from the Belgian ASLK-CGER banking and insurance group, in which Fortis has a controlling stake.

Fortis, jointly owned by Amev of the Netherlands and AG of Belgium, said it expected a "clearly higher" net profit in 1995, assuming no sharp fluctuations in exchange and interest rates.

The results for 1994 reflect strong results from the group's European insurance operations and the life activities in the US. Almost all life companies achieved significant growth in income, with premium income rising 27 per cent to Ecu7.4bn.

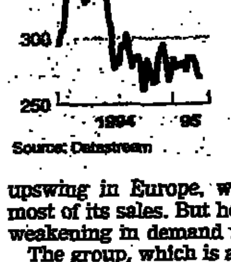
Pre-tax profits in life insurance rose to Ecu274m from Ecu198m, while non-life profits before tax advanced to Ecu101.8m from Ecu78.9m.

In banking, the acquisition of the stake in ASLK-CGER bank was crucial in tripling the group's pre-tax profits to Ecu253m.

Without this contribution, the group's autonomous growth showed a slight decline. Fortis also warned that net interest income rose due to strong growth in ordinary savings at the expense of long-term deposits in ASLK-CGER.

The board has proposed a dividend of Fl 3.80 a share for Fortis AMEV and BFr100 a share for Fortis AG, up from Fl 3.40 and BFr242 a share respectively the previous year.

Perstorp advances to SKr330m midway



Perstorp, the Swedish speciality chemicals and plastics group, lifted profits to SKr330m ($44.64m) in the six months to February 28, up 22 per cent from SKr270m in the same 1993-94 period, writes Christopher Brown-Humes in Stockholm. Mr Gösta Wiking, chief executive, said the group's business climate was improving due to the upswing in Europe, where the company has most of its sales. But he noted signs of a slight weakening in demand in the US.

The group, which is active in surface materials, resins, and other areas, saw sales rise by 22 per cent to SKr6.1bn, after improvements in all six of its business sectors.

Growth in operating profits was restricted to 14 per cent because poorer performances from plastics systems and biotech partially offset an improved trend in the group's other units.

Perstorp said the rapid rise in raw material prices last year had slowed, and it was gradually compensating for the development.

Profits for the full year, to August 31 are expected to exceed last year's SKr551m level.

GE Capital in exclusive deal with Metro Group

GE Capital, the US financial services company, has signed a co-operation agreement with Metro Group giving the General Electric subsidiary the exclusive rights to provide consumer financial services to what it described as the largest retail group in Europe, Reuter reports from Stamford, Connecticut.

GE also said it had completed the acquisition of 80 per cent of Service Bank from Germany's Kaufhof in which Metro has a controlling stake.

The remaining 20 per cent of capital will be owned by German-based Metro and Kaufhof Holding.

Under the co-operation deal, GE Capital will work with the retailers to introduce new private label credit cards and other consumer finance products. This will include the expansion of the banking branches of the Service Bank.

Financial terms of the agreement were not disclosed.

Metro Group has more than 2,000 stores in 11 countries with an estimated 20m daily shoppers.

Alberta Energy to pull out of forest products

Alberta Energy, the Western Canada oil and gas producer, plans to sell its 19-year-old investment in forest products later this year, writes Robert Gibbens in Montreal.

Alberta Energy said it might sell the sawmill, fibreboard and pulp mill assets outright or through an initial public offering. The proceeds would be used to expand its oil and gas business.

Alberta Energy reported first-quarter net profit of C$24m (US$17.25m) on sales of C$236m, up from profit of C$17m on revenues of C$222m a year earlier.

ISS buys Irish contract cleaning company

ISS-International Service System, the Danish international office cleaning group, has bought Contract Cleaners, Ireland, from British Spring Grove Services, writes Hilary Barnes in Copenhagen.

The Irish company has 1,700 employees and a turnover of I£800m ($476m), with offices in Dublin, Cork, Limerick and Galway.

ISS said the acquisition, for an undisclosed sum, will bring ISS Ireland close to becoming market leader.

The group indicated that it was prepared to make further acquisitions. It recently bought two small cleaning companies in Sweden.

Portugal Telecom absorbs Marconi stake

Portugal Telecom has absorbed a 50.04 per cent stake in external telecommunications operator Companhia Portuguesa de Radio Marconi as part of the process of privatising 30 per cent of PT, Reuter reports from Lisbon.

The shares, worth Es7.8bn ($53m), were transferred to PT from state holding company CN – Comunicacoes Nacionais – ahead of the partial privatisation of PT next month.

PT is due to absorb 100 per cent of Marconi before its privatisation, with Marconi's private shareholders being offered PT shares on the basis of a Marconi share valuation of Es6,500.

Portugal plans to price PT shares on May 25, a few days before the partial privatisation.

PT, which was created last June from the merger of three state-run telecommunications companies to consolidate the sector into one company before privatisation, has an authorised capital of Es180bn.

Loral expands its European operations

Loral, the US defence contractor, has expanded its Loral Europe subsidiary into three main units that will focus on systems integration, training and simulation systems and defence electronics components for international customers worldwide, Reuter reports from New York.

Loral said the three units will be Loral Solartron, which supplies training and simulation systems worldwide; Loral Technologies, which produces defence subsystems for military and government applications; and Loral UK Government Systems.

Loral Europe will be headed by Mr Galen Ho, who also is president of Loral Corporation's ASIC unit.

Nycomed unit slims

Nycomed Pharma, a subsidiary of Norway's Hafslund Nycomed, is to sell its cosmetics activities in Norway, Sweden and Denmark to a Scandinavian consortium, Reuter reports from Oslo.

The Scandinavian consortium consists of Sweden's Scandinavian Cosmetics, Denmark's E. Saether and Norway's Engelschion Cosmetique.

Hafslund Nycomed's cosmetics activities employ 110 people and had a total turnover of around DKr240m ($44.39m) in 1994.

Hafslund declined to say what the deal was worth.

Hillsdown may have rival offer for Maple Leaf stake

By Bernard Simon in Toronto

Hillsdown Holdings, the UK conglomerate, may soon be presented with a rival offer for its 56 per cent stake in Maple Leaf Foods, the Canadian food processor.

Hillsdown has given conditional approval to a cash-and-shares offer for Maple Leaf from a consortium led by Mr Wallace McCain, who was ousted last year as joint chief executive of his family's frozen food empire.

However, Maple Leaf said yesterday that "ongoing discussions" were taking place between other potential suitors and Nesbitt Burns, the securities firm which isacting as Maple Leaf's financial adviser.

No firm bid has been received, however. Maple Leaf's shareholders are due to meet on April 19 to vote on the McCain offer.

The identity of companies which have asked for access to Maple Leaf's "information room" has not been disclosed.

However, analysts' speculation has centred on a number of North American and European food groups, including Hormel and ConAgra from the US, Switzerland's Nestlé, and Canada's privately-held Pattison Group.

Maple Leaf shares have traded actively since the McCain group unveiled its offer on March 6. They gained 25 cents to C$15 in early trading on the Toronto stock exchange yesterday, valuing the company at about C$1.2bn (US$863m).

Under the McCain offer, Hillsdown would receive a maximum of C$680m cash and a minimum of C$623m with a stake of 10 per cent in a new company.

Maple Leaf earned C$75.7m last year from sales of C$3.2bn. Its main businesses are fresh and prepared meat, groceries, bakery products and animal feed.

Britannica tries to get a foot in the door of the information age

By Laurie Morse in Chicago

The William Benton Foundation, publishers of the Encyclopaedia Britannica, has admitted the information age had passed it by and it needed an infusion of capital and perhaps even a new owner to update its technology.

"Technology and the information age have radically transformed our landscape, and will require our company to make a significant transition from our historical past," the company said. "To continue to grow and develop our business we must reinvest. We need capital and are confident we can secure it."

The Encyclopaedia Britannica, founded in Edinburgh in 1768, is the world's oldest continuously-published English-language encyclopaedia. The William Benton Foundation is a charitable trust which benefits the University of Chicago. If Encyclopaedia Britannica were sold, proceeds would be reinvested to benefit the university.

Although the company has been profitable for 19 out of the last 20 years, worldwide sales fell to $453m last year, from $650m in 1990. While a number of competitors were quick to move from the printed page to computer distribution, Britannica clung to its core product – a 32-volume, hand-tooled, leather-bound set of books sold door-to-door to homes and libraries for $1,500.

The company created a CD-Rom version of another of its properties, Compton's Encyclopaedia, but sold it to the Tribune Company in 1993 for $57m. The sale was a strategic decision, the company said. "Management felt it wasn't a good fit. They wanted to focus on the depth and breadth of knowledge, Encyclopaedia Britannica's core database."

That database, which includes 44m words and 65,000 articles, is far more comprehensive than any of its competitors. However, rivals such as Groiler and Microsoft have been quick to switch their products to multimedia computer. Both Groiler and Microsoft produce CD-Rom encyclopaedias which are often included free with the software to new computers.

Home computer sales equalled those of televisions in the US last year and millions of school children are getting their first taste of an encyclopaedia from Britannica's competitors.

Encyclopaedia Britannica did release an abridged CD-Rom version this year, but its price, $995, limited sales. The company's venture to put its database on-line on the Internet, begun late last year, limited access to college and university students.

Craig McCaw pans for gold in new market

The Seattle billionaire's investment in Nextel is a bold gamble, writes Louise Kehoe

Mr Craig McCaw, the Seattle billionaire who made his fortune as a pioneer of cellular telephony, believes he has spotted another winner in "integrated wireless business communications services".

His decision to invest up to $1.1bn over the next six years to acquire a 23.5 per cent stake in Nextel Communications is a bold gamble on a new market segment aimed at mobile workers: from delivery service drivers to sales executives on the move.

Mr McCaw has staked his money and his reputation as a highly successful entrepreneur on Nextel's ambitions to build a US-wide network offering integrated telephony, paging, messaging and radio dispatch services – all of which can be accessed from a single handset.

Mr McCaw, founder of McCaw Cellular which was acquired last year by AT&T for $11.5bn in stock, said he had no interest in attempting to copy existing cellular, personal communications services or paging.

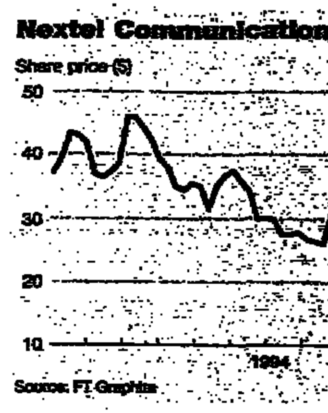
"I have been there, done that, and it is not my intent to do what I've already done," he said. At Nextel "we will mine for gold in the new field of wireless communications for work groups". Nextel's services will not compete directly with either cellular or PCS.

"It is not in the interests of AT&T to take the cellular systems that they acquired with McCaw and the new PCS licenses, and try to do this particular application. We see the possibility of AT&T becoming a reseller of this service," said Mr McCaw, who is now AT&T's largest shareholder.

Mr McCaw was an active bidder in the recent US auctions for PCS services, but emerged empty-handed. He said that talks with Nextel had been under way during the auctions and presented an alternative investment opportunity.

"With all the competition coming in the cellular and PCS market place, Nextel is logically focused on technology that allows it to do something very well that others are not already doing – work group wireless communications," said Mr McCaw. "Primarily this is a larger workgroup tool, not a consumer tool."

This represents a significant change of direction for Nextel, which had aimed to compete with cellular and paging services in the consumer market, as well as the business sector.



Source: FT Graphite

Mr McCaw is now calling the shots. As a condition of his investment, he will become a member of Nextel's board of directors, with control over a newly-created operations committee responsible for setting Nextel's corporate strategy. He will be entitled to appoint a majority of the members of the operations committee and three board members.

While Nextel may have effectively given up control of its destiny, the company could hardly have hoped for a stronger endorsement. On news of Mr McCaw's investment, Nextel's share price jumped 24 per cent to close at $16⅝ on Wednesday and rose to $16⅞ in early trading yesterday.

Just seven months ago, Nextel's future appeared to be in jeopardy when MCI, the US long-distance telephone service company, backed out of a deal to acquire 17 per cent of the company for $1.36bn.

Without MCI's marketing strength it seemed that Nextel would have difficulty competing with established cellular telephone services. The collapse of the deal left Nextel short of funds to complete a series of acquisitions through which it aimed to obtain radio spectrum licenses.

The investment by Mr McCaw should solve most of Nextel's problems, analysts said. The phased investment plan will provide the company with a cash injection of more than $300m, assuming the deal is approved by shareholders and US regulators.

This should enable Nextel to complete several acquisitions that are critical to its plans for a nationwide service, said Mr Morgan O'Brien, Nextel chairman.

Mr McCaw's investment will also enable Motorola, which through license and equipment sales is acquiring a stake of more than 25 per cent in Nextel, to reduce its holding.

"This transaction is the first step in reducing our ownership in Nextel," said Mr Christopher Galvin, president and chief operating officer of Motorola.

Nextel's improved financial condition will also enable the company to increase its purchases of Motorola equipment. The cash injection "goes a very long way toward providing the capital that we need" for the company to complete its network, said Mr O'Brien.

Nextel planned to be able to offer its services to 80 per cent of the US population by the end of 1996, he added.

Nasdaq uses fresh studies to reject collusion allegations

By Maggie Urry in New York

Nasdaq, the automated quotation market operated by the US National Association of Securities Dealers, has hit back at accusations of collusion made in an academic study last year.

In a speech at a conference yesterday, the collusion theory was condemned as inconceivable by Mr Dean Furbush, a Washington-based economist. However, Professor William Christie of Vanderbilt University, one of the authors of the original study, said he had seen nothing yet to change his view.

Since reports of a paper by two academics were made public last May, the market has come under investigation by the US Justice Department and the Securities and Exchange Commission, and a number of lawsuits have begun. The new academic work will be used in evidence in the legal cases.

Nasdaq last month proposed new trading rules in response to criticisms that its system of competing market-makers denied investors the ability to deal at the best possible prices.

Last May, Prof Christie and Mr Paul Shultz of the Ohio State University said there was a pattern on Nasdaq of quoting prices in even eighths – excluding ⅛, ⅜ and so on. They said the only explanation for that would be collusion among a cartel of traders to keep spreads wider, as the practice would ensure a minimum spread of a quarter.

In a second study, they noted that after the contents of their first paper became known, spreads in some large Nasdaq stocks narrowed, which they said reinforced the collusion claim.

Mr Furbush said yesterday that Nasdaq's 400 market makers made the market highly competitive, and that the Christie-Schulz "collusion hypothesis was plainly ludicrous". Mr Kenneth Cone, an economist with Lexecon, a Chicago consulting firm, said another study by Professor Merton Miller of the University of Chicago, which would also be presented at the conference, found a pattern of quoting even digits in other markets and said this clustering was a natural phenomenon.

He said the Christie-Schulz study was wrong to draw a conclusion of collusion from it. Further, he said, there was a tendency for spreads on Nasdaq to change suddenly and the conclusion of the second study was also wrong.

Prof Christie said the original paper had served its purpose in opening a debate.

INTERNATIONAL COMPANIES AND FINANCE

Coca-Cola Amatil to acquire two European bottlers

By Nikki Tait in Sydney

Coca-Cola Amatil, the *Australian soft drinks* company in which the Atlanta-based Coca-Cola group holds a 49.7 per cent direct interest, is acquiring two European bottling businesses, in Croatia and Switzerland, for A$120m (US$88.7m).

The seller of the Croatian business is Coca-Cola Export Corporation, a wholly-owned subsidiary of the parent Coca-Cola group, which has built up its 75 per cent stake in Coca-Cola Bottlers Zagreb over the past three years. The Swiss business, Boissons Désaltérantes, is privately owned and has production facilities in Lausanne.

CCA, which ran into shareholder criticism when it bought Coca-Cola's Polish operations *for A$308m last* year, yesterday refused to give precise price-tags for the two businesses. But it indicated they were *about the* same size, both profitable and, in aggregate, should contribute to earnings even after financing costs. *Criticism of the Polish deal* centred on the fact that it was dilutive.

CCA said that both operations' volumes were similar at present – around 11m unit cases a year – although Croatia has lower sales per head at present. The US group bought into the Croatian business in 1992, and CCA acknowledged yesterday it would now exit with a profit.

Mr Bill Gibson, CCA's chief executive for development, said of the political uncertainties in Croatia: "Obviously it's a risk, *but personally I feel* very comfortable with it."

News of the two deals was given at CCA's annual meeting yesterday. There was *only* muted criticism on the company's remuneration plan which saw three directors – Mr Dean Wills, *now retired as managing* director but still chairman, Mr Gibson, and Mr John Priest, finance director – take home *about A$19m, A$10m and A$8m* respectively last year.

Mr Ray Wagner, of the Australian Shareholders Associa*tion, said some of his group's* members were concerned about the size of the payouts. But Mr Wills said they *stemmed from a five-year* share incentive plan, approved by shareholders.

Placer arm halts project

By Nikki Tait

Placer Pacific, the Australian-based arm of Canada's Placer Dome, said yesterday it had suspended exploration work on the big Namosi copper-gold deposit on Fiji's main island of Viti Levu.

The company blamed its decision on the Fijian government's failure to clarify the potential tax situation should the deposit be developed.

Placer said there was little point in proceeding with a full feasibility study if the likely tax background was unresolved.

The cost of undertaking the study is put at about A$20m (US$14.3m).

Metall Mining finds new life after divorce

Canadian group's split with Metallgesellschaft was not unwelcome, writes Kenneth Gooding

When the new management team took over at Metallgesellschaft (MG) after the German metals and trading group faced financial collapse last year, it could hardly wait to get rid of its Canadian mining subsidiary, Metall Mining (MM).

Eight months after nearly drowning in a sea of oil trading losses, MG had raised $422m by last August through the sale of its 60 per cent shareholding in MM, leaving the subsidiary without a big brother to lean on.

But Mr Klaus Zeitler, who *has been chief executive of MM* since its formation in the early 1970s and who saw the group through its flotation on the *Toronto Stock Exchange in* June 1987, suggests the separation from MG has not been entirely unwelcome.

New shareholders, mainly Canadian financial institutions, have a better understanding of MM's business than MG, he says.

MG is based in Frankfurt, which "is a bit remote and not the centre of the mining industry" and has many other interests, "so it did not concentrate very hard on the mining business", he adds.

Also, for the 18 months before MG collapsed, top management became increasingly preoccupied with the problems that threatened to engulf them. "So we did not get the attention we should have had if MG was a real big brother."

In comparison, the institutions that bought the MM shares "know the business, know it is a risk business. They know we have to go outside North America and sometimes have to go to some countries that are more politically risky".

MM's strategy has not changed since it was set free. It still aims to become a world class, integrated copper company, involved in everything from basic exploration to refining. Opportunities involving other metals, particularly zinc and gold, would also be considered "if they could be advantageous to shareholders", Mr Zeitler says. This strategy already has seen MM going to Turkey, Panama, Papua New Guinea, and Tunisia in search of mineral riches.

However, *its prime objective* – that of becoming a big copper producer – still faces some hurdles, not the least that MM *is repeatedly pipped at the post* when big copper projects come up for sale by governments pushing through privatisation programmes.

Last October, MM narrowly missed winning the auction for Tintaya, Peru's second biggest copper producer.

Tintaya is now owned by Magma Copper of the US. When the result was announced "it almost broke my heart", said Mr Zeitler.

MM also lost in a more complicated battle for a share in the Alumbrera copper-gold deposit in Argentina. It made an unsuccessful hostile bid for International Musto Exploration, the Canadian group that owns half of Alumbrera. Placer Dome this week made a bid for International Musto that seems more likely to succeed.

Mr Zeitler says MM is searching for another big copper acquisition to better balance the group's output of mined copper and its smelting and refining operations. At present, even these operations are not going smoothly.

In 1989, MM paid $85m for 80 per cent of Copper Range, which has two mines, a smelter and refinery at White Pine in Michigan. The complex needed substantial upgrading and two important projects are being considered in tandem: a new smelter and a move to solution mining.

In crude terms, solution mining would involve blasting *down the pillars of ore left* behind in the past to support the roof of the underground mines and leaching out copper from *the rubble with a sul*phuric acid solution.

At the same time, Copper Range needs a new $200m smelter if it is to continue to process copper. The old smelter was closed down last year after running into trouble with the authorities over its emissions. MM paid a penalty of $4.8m. It would have cost about $20m to install equipment to allow the old smelter to continue while the options for a new smelter were being considered.

MM instead decided to close the plant and have its concentrate (an intermediate material) processed at the Hudson Bay smelter owned by Minorco, part of the Anglo American Corporation of South Africa. Shutting the Copper Range smelter resulted in a charge of $3.3m. Last year, MM reported net earnings of C$30.6m (US$21.8m), on revenues of C$831m.

Mr Zeitler says Copper Range's future rests on solution mining. The aim is to use sulphuric acid generated by the smelter in the new mining technique. However, sulphuric acid is cheap in the US and likely to remain that way, so solution mining might be viable without the smelter.

Mr Zeitler says the leaching process is known to work, although MM is still looking at ways of reducing costs. Independent consultants called in by MM are not as convinced as *his own people about the* behaviour of the mine roofs when the pillars are blasted down.

"To *satisfy these concerns* we might have to do a large-scale test or start with a smaller operations for one or two years before moving to the original plan," Mr Zeitler says.

Test blasting might cause a delay of one year to the timetable and add between C$50m and C$70m to the projected cost. Without test blasting, solution mining could go ahead in 18 months, while building the smelter would take two years. Total cost of these projects is estimated at about C$300m.

MM's new shareholders, mainly Canadian financial institutions, have a better understanding of the group's business than MG, Klaus Zeitler says

Although MM's strategic approach has not changed following the divorce from MG, the intriguing – and probably unique – international relationship between MM, MG, MIM of Australia, Asarco of the US and Teck Corporation, another Canadian company, has radically altered.

Between them these companies and their associates controlled about 8 per cent of western world copper production, 12 per cent of the zinc output and 19 per cent of lead production. They had cross-shareholdings and worked together on several deals.

Mr Zeitler says the links were mainly through personal relationships.

In the case of MG and MIM, the relationship was between *Mr Heinz Schimmelbusch*, previously chairman of MG's executive board, and Mr Norm Fussell, previously chief executive *of MIM. They worked together* primarily to set up smelting joint ventures, mainly not involving MM. The departure of these two executives has resulted in the relationships between their companies unravelling completely.

The links between MM and Teck Corporation are as strong as ever, Mr Zeitler insists. These date back to 1971 and the friendship that developed between him and Mr Normal Keevil, Teck's president. MM and the Keevil family between them have voting control of Teck, including MM's 33 per cent voting interest (7.6 per cent of the equity).

Teck has copper, gold, zinc and coal interests, mainly in Canada, and has joined MM in the Petaquilla copper-gold project in Panama by earning half of Adrian Resources 52 per cent stake in the prospect which contains several mineral deposits.

Mr Zeitler is excited about Petaquilla, in which MM has a 48 per cent stake, and hopes the project can be speeded up because it might be possible to earn early cash flow by mining some of the gold first. Although still in the feasibility stage, Petaquilla, he says, "may become a significant property in Metall's future strategy".

Flotation likely to be delayed by process in US

Nynex set to market issue

By Raymond Snoddy

Nynex CableComms, one of the UK's largest cable operators, confirmed yesterday that it would begin marketing a public issue next month and that the London and New York flotation was designed to raise more than £400m.

The flotation is likely to take longer than originally expected, however, as a result of the Securities and Exchange Commission review in the US.

No information is yet available on pricing of the international share offering in the UK and the offering of American Depositary Shares in the US. But there are similarities in terms of size with TeleWest, which successfully floated last November.

TeleWest is only fractionally larger than Nynex, a subsidiary of the New York and New England telephone company. Nynex owns and manages franchises covering 2.7m homes, mainly in the north-west and south of England.

TeleWest was priced at 182p, valuing the company at £1.8bn with net proceeds of about £360m. The shares closed at 171p yesterday, up 1½p.

Mr Eugene Connell, president and chief executive of Nynex, said that all the float proceeds would be used to complete the UK networks.

From a late start in the UK, Nynex has become one of the most influential companies in the industry, with plans to spend £2bn to complete its networks by the end of 1997.

At the end of last year, Nynex had 122,000 television subscribers and 99,000 telephone customers. Penetration rates – the relationship between those who can subscribe and those who do – at about 20 per cent are a little below the industry average.

Cancelled subscriptions, or "churn" at 31 per cent – 24 per cent if the effects of a disastrous free offer scheme are excluded – is also below average.

The company has been aggressively marketing its telephone services and aims to increase customer loyalty.

A new scheme offering telephone services at 25 per cent below British Telecom's standard charges is just getting under way.

Nynex expects to have 4,000 employees by the end of this year, compared with just 200 in 1992.

Wardle Storeys ahead to £3.4m

By Motoko Rich

Wardle Storeys, the plastics and safety equipment group which makes specialist parachutes, lifted interim pre-tax profits 11 per cent from £3.1m to £3.44m in spite of raw material price increases and the negative impact of the Italian lira's devaluation.

Shares in the company fell 13p to 315p as it warned that cost rises and a weakened lira would continue to affect its technical products division, which makes PVC sheets.

Mr Brian Taylor, chief executive, said: "Raw material price rises will continue and it is a serious situation, but we believe we can pass them on to customers and in the long run I think we will come out of this process with higher margins."

Turnover in the six months to February 28 rose 16 per cent from £38.2m to £44.2m, including a one-month contribution of £405,000 from Para-Flite, the US parachute manufacturer acquired in February. GQ Parachutes, the company's oldest division, raised operating profits from £548,000 to £838,000.

Cost reductions helped the inflatables side lift operating profits 31 per cent to £929,000 on turnover up 6.1 per cent to £8.4m. The safety and survival equipment division made profits of £1.83m (£1.26m).

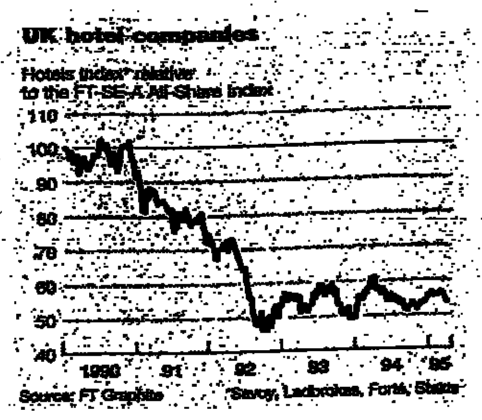
LEX COMMENT

UK hotel accounts

Given the pace with which Queens Moat Houses sped from the verges of the FT-SE 100 Index to the brink of bankruptcy, it is inevitable that there are concerns over the quality of UK hotel company accounts. That both a group of hotel companies and the Accounting Standards Board are looking at ways of providing a fairer picture of values is welcome news.

At present, profits among the various hotel groups are distorted. Companies do not depreciate freehold and long-lease properties, even though the value of most hotel properties will clearly deteriorate over time. The impact of this can be exaggerated when companies capitalise their investment in assets which are used to maintain the value of property. As a result, this expenditure does not affect declared profits. Introducing depreciation of property would provide a clearer picture of profitability, and hotel companies should follow the lead taken recently by supermarket operators. Guidelines also need to be introduced on hotel valuations. These should reflect the market value of hotels, rather than just the expectation of future earnings, as has been proposed by some hotel owners.

Whatever the outcome of the current reviews, the hotel companies have every interest in promoting change. They have under-performed the market by close to 50 per cent during the 1990s, partly reflecting scepticism over their accounts. Lowering their declared earnings would not hurt share prices, if the quality of earnings can be shown to have improved.



Export advance helps Watts Blake

By Geoff Dyer

A 21 per cent rise in exports from its UK business helped Watts Blake Bearne & Co, the world's largest supplier of ball clay, increase 1994 pre-tax profits by 28 per cent.

The improvement in profits from £7.7m to £9.88m was struck on turnover 13 per cent higher at £86.3m (£76.3m).

The results were flattered by the £912,000 exceptional cost incurred last time defending a hostile bid from Sibelco, the privately owned Belgian company which still owns a 47.7 per cent stake. Last year's profits were also restated downwards by £235,000 to take account of "serious accounting errors" at United Clays, the US subsidiary.

Profits this time included a small contribution from Martin & Pagenstecher Rohstoffbetriebe in Germany, the ball clay mining business which was bought from Thyssen, the German steel group, for £11m in October.

Mr John Pike, managing director, said Devon Clays had increased profits by £2m on turnover 19 per cent higher at £42.1m. Sales to Spain and Italy were ahead, helped by the depreciation of sterling, and sales to the Middle East and Asia Pacific were also higher.


John Pike: Devon Clays increased profits by £2m

The strength of the D-Mark resulted in a £400,000 reduction in profits at Fuchs-Ton, the German division. Some 30 per cent of its sales are to Italy and were affected by the weakness of the Italian lira and competition from Ukrainian and French imports.

United Clays also saw profits fall by about £400,000, after the division took a provision against bad debts from Mexico, which accounts for one-third of its sales, following devaluation of the Mexican peso.

Earnings per share were 4 per cent higher at 27.9p (22.4p).

The shares closed 18p up on 495p.

WMI faces Swedish taxation liability

By Motoko Rich

The Swedish tax authority has claimed that Waste Management International, the UK-quoted arm of WMX Technologies of the US, owes SKr417m (about £35m) in income tax liability, penalties and interest.

The tax authority said the company incurred the liability in 1990 on a dividend payment made following the company's acquisition of Sellbergs, its principal Swedish operating subsidiary, in 1989.

Shares in WMI fell 13p to 251p on the news but recovered to close at 257p.

The company denied it owed the tax as it had filed all appropriate returns and made disclosures where necessary. It said it had been advised by counsel that it had "meritorious defences". It will appeal the assessment.

It is believed the Swedish subsidiary, one of WMI's five largest operations, contributes about £100m in turnover. WMI made pre-tax profits of £165.2m in 1994 on turnover of £1.12bn.

Analysts said the company would have to make a provision in its 1995 accounts.

Swallowfield 57% ahead at £2.56m

Despite a further loss at its Parbel subsidiary in Belgium, Swallowfield, the aerosols, toiletries and cosmetics group, returned to 1990 profit levels with pre-tax figures for 1994 up 57 per cent from £1.63m to £2.56m ($4.1m).

Turnover rose £6.3m to £34.9m.

Action, including management changes in the last quarter, has been taken at Parbel with the intention of reducing losses this year and returning to profit in 1996.

IBC goes Dutch with £2.4m deal

International Business Communications (Holdings) has bought Euromanagement Holding, a Netherlands-based organiser of international seminars, for up to £2.4m.

An initial consideration of Fl 1.4m (£600,000) is payable on completion with further amounts related to profits for 1995 and 1996. Euromanagement made pre-tax profits of Fl 481,000 in 1994 and net assets being acquired amount to Fl 392,000.

Building societies explain merger plans to members

By Alison Smith

Booklets going to all the 10m members of the Halifax and Leeds, the UK's largest and fifth largest building societies, about the proposed merger explain the plans for all the Halifax "Xtra" savings accounts to be re-branded as four types of "gold" accounts – as they are called at Leeds.

The 40-plus page statement, being sent out over the next two weeks, gives details of the merger arrangements.

It also explains how free shares will be distributed if members approve the plans for the societies to combine and then to become a bank.

A further detailed statement must be sent to members before a separate vote on the decision to convert.

In contrast to the document sent by Cheltenham & Gloucester Building Society to its 1.2m members about the £1.8bn cash offer from Lloyds Bank, neither the Halifax nor Leeds statement offers an extensive analysis of why the strategic plans are the best way forward.

They do not address the possibility of other options or mergers, but simply refer to the two Yorkshire-based organisations as being natural merger partners with a focus on customer needs.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bostrom	Yr to 31 Dec	65	(50)	4.09♥	(2.03)	18	(11.4)	3.5	June 2	3.5	6	6
Brammer	Yr to Dec 31	152.1	(140.8)	14.1	(8.28♠)	21	(13.3)	8.75	July 3	8.5	13.25	13
Cluff Resources	Yr to Dec 31	27.8	(18)	0.416	(0.218L)	1.6L	(1L)	nil	-	nil	nil	nil
Colver	Yr to Dec 31	46.4	(32.6)	0.755	(0.544)	1.03	(0.9)	0.17	May 22	0.14	0.3	0.25
Dickie (James)	6 mths to Feb 28	14	(10.6)	0.891♠	(0.628)	8.95	(6.91)	2	June 6	1	-	3.5
Eclipse Blinds	Yr to Dec 31	35.1‡	(32.5‡)	4.42♥	(20.6L♠)	1.78	(15.7L)	-	-	-	-	-
Ennemix	Yr to Dec 31	15.3	(13.3)	0.724♥	(1.92L)	8.68	(38.88L)	0.715	May 16	-	0.715	-
Kingspan ♣	Yr to Dec 31	70.1	(61.2)	4.72	(3.05)	14.6	(9.7)	1.8	June 28	1.5	3	2.5
McAlpine (Alfred)	14 mths to Dec 31	925.8	(620.7)	10.7	(1.17♠)	10.2	(0.7)	4†	May 31	3.5	7	6.5
Quicks	Yr to Dec 31	322.9	(252.9)	3.91	(3.04)	10.5	(9.5)	3.25	June 23	3	5.5	5
Rap	Yr to Dec 31	22	(19.3)	1.75	(1.22)	12.9	(8.8)	0.26	May 26	-	0.26	-
Scholl	Yr to Dec 31	188.6	(171.9)	2.8♠	(16.7)	4L	(12.7)	3.8	May 15	3.8	6.4	6.4
Swallowfield	Yr to Dec 31	34.9	(28.6)	2.56	(1.63)	13.3	(9.6)	3.5	May 31	3	6.2	5.2
Walker Greenbank	Yr to Jan 31	75	(62)	9.02	(7.08)	6.23	(4.97)	2.3†	July 4	2.1	3.6	3.3
Wardle Storeys	6 mths to Feb 28	44.2	(38.2)	3.44	(3.1)	9.1	(8.3)	5†	July 3	5	-	17.25
Water Hall	Yr to Dec 31	11.4	(16.3)	2.88L♠	(23.1L♠)	0.9L	(6.6L)	-	-	-	-	-
Watts Blake Bearne	Yr to Dec 31 ☆	86.3	(76.3)	9.88	(7.7♠)	27.9	(22.4)	9.6	July 3	8.5	13.5	12

Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ☆Comparatives restated. §USM stock. ♣Irish currency. ‡On continuing operations.

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The world must see this as a very carefully measured step.

There is no precedent for this.

You're embarking on a strategic merger that will not only transform and strengthen your company, it will revolutionise your industry.

But when you began, you had no easy way to put a value on this new entity. You needed a way to prove to yourself, and to the world, that this could succeed.

That's why you called in a firm that was no stranger to some of today's most challenging mergers. One that knew your industry — cold.

Their advisory specialists immediately set about analysing the situation and calling on professionals from different disciplines and offices around the world. They worked with industry specialists to project the size and shape of the new company. They worked with fixed income and equity capital markets experts to weigh the potential reactions of bondholders and shareholders.

Every variable was considered. New technology. Regulation. World events. Even your competitors' most likely moves — and your countermoves.

You're now confident this merger will work, because you know *how* it will work.

And you're ready to show the world a bold leap into the future that will land on solid ground.

MORGAN STANLEY

Bombay Chicago Frankfurt Hong Kong London Los Angeles Luxembourg Madrid Melbourne Milan Moscow New York Paris San Francisco Seoul Shanghai Singapore Taipei Tokyo Toronto Zurich

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 07.04.95: Pool purchase price £/MWh	Final Prices for Trading on 10.03.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.20	13.50	13.50
0100	8.20	15.79	15.79
0130	8.78	12.34	13.67
0200	8.93	12.62	13.75
0230	8.93	11.41	12.64
0300	8.93	13.50	14.73
0330	8.92	9.09	8.09
0400	8.91	8.93	8.93
0430	8.90	8.79	8.79
0500	8.78	8.78	8.78
0530	8.20	8.77	8.77
0600	8.78	8.77	8.77
0630	8.78	8.19	8.19
0700	8.94	8.77	8.77
0730	10.72	8.04	9.28
0800	14.19	8.93	11.19
0830	14.23	11.76	13.07
0900	15.87	14.36	15.74
0930	28.34	13.66	15.11
1000	28.34	17.61	18.97
1030	28.34	14.55	15.98
1100	17.53	13.54	14.95
1130	17.53	13.54	14.95
1200	17.53	13.53	14.94
1230	45.51	13.45	14.83
1300	45.51	13.29	14.62
1330	15.87	11.68	12.98
1400	14.23	9.90	11.15
1430	14.23	8.99	8.99
1500	14.23	8.97	8.97
1530	14.23	8.97	8.97
1600	14.23	8.88	8.88
1630	14.23	8.97	8.97
1700	16.79	9.07	9.07
1730	17.52	10.05	11.33
1800	14.23	10.26	11.61
1830	13.97	14.64	16.13
1900	16.25	17.69	18.21
1930	10.43	17.47	18.92
2000	15.79	14.12	15.42
2030	38.67	8.05	9.29
2100	39.67	8.03	9.27
2130	29.93	8.03	9.26
2200	10.72	8.93	8.93
2230	16.23	8.77	8.77
2300	8.92	8.19	8.19
2330	8.20	8.19	8.19
2400	8.18	8.11	8.11

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
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COMPANY NEWS: UK

Housebuilding helps McAlpine to £10.7m

By Andrew Taylor, Construction Correspondent

Pre-tax profits of the Alfred McAlpine housebuilding and construction group rose to £10.7m in the 14 months to the end of December. This compared with £1.17m in the previous 12 months.

Mr Oliver Whitehead, chief executive, said results from UK housebuilding had been impressive, while US contracting and building materials had performed better than expected.

He warned that UK housebuilders could expect increased pressure on margins "as rising land prices and construction costs exceed modest upward movement in house prices."

McAlpine, however, expected to increase its operating margins by selling more homes for the same fixed overhead and by developing more efficient designs and construction techniques.

The shares declined 5p to 145p yesterday, compared with an issue price of 205p last June, when the company raised £25m from a 2-for-9 rights. It has raised a further £43.5m from the sale earlier this year of its UK aggregates to George Wimpey, its rival contractor and housebuilder.

Housing profits rose to £13m (£5.5m in the previous 12 months). Operating margins rose from 8 to 9.6 per cent.

Sales of homes, however, fell by about 7 per cent in the first three months of this year compared with the corresponding period in 1994. The group expects full year sales to rise by about 10 per cent.

The construction division incurred a pre-tax loss of £4.5m (£3m profit) but would have made a small profit but for lossmaking contracts in the Midlands and losses in a small east German subsidiary which is to be closed.

McAlpine expects to trim further its UK contracting operations involving the loss of up to another 300 jobs. US profits rose from £1.7m to £2m.

Brammer takes 25% stake in Rodamientos

By Tim Burt

Brammer, the industrial services group, has signalled a consolidation of the European distribution industry with the acquisition of a minority stake in one of Spain's largest components distributors.

The UK group, which is already Europe's largest distributor of bearings and power transmission products, said it was stepping up its Continental expansion by taking a 25 per cent shareholding in Rodamientos USA, the Bilbao-based company for Pta631m cash.

Citing the success of its operation in France, where its 1992 acquisition of Roulement, the bearings distributor, has made it the market leader, Mr Robert Ffoulkes-Jones chief executive hinted that the group would also move into Benelux countries and may establish a presence in Germany. "Our strategy is to expand our presence in the European Union and ensure that we are in a position to influence the market," he said.

The Spanish acquisition follows more than two years of talks with Rodamientos, which has agreed to sell a 25 per cent stake.

Brammer has also secured options to acquire the remaining 75 per cent stake at net asset value with a goodwill payment of Pta325m.

Mr Foulkes-Jones said the Spanish group, which reported pre-tax profits of £2m last year on sales of £16m, would complement Brammer's existing BSL distribution subsidiary in the UK and Brammer Mécanique in France.

Strong growth in those businesses helped lift Brammer's pre-tax profits 70 per cent from £8.28m to £14.1m last year.

The distribution division, where demand rebounded in both the UK and continental Europe, saw profits rise to £11.1m (£8.59m). Profits from rental activities, meanwhile, rose from £1.66m to £3.71m. Together the two divisions pushed group turnover up 16 per cent to £152.1m (£140.8m).

Higher output puts Cluff in black

Higher output and better precious metal prices helped Cluff Resources, the UK-based company with gold mining operations in Africa, move from a pre-tax loss of £218,000 to a profit of £416,000 last year, writes Kenneth Gooding.

Cluff previously reported that it produced a record 79,246 troy ounces of gold last year, up from 59,060 ounces, and it expected a jump to 130,000 ounces this year. Mr Algy Cluff, chairman, said yesterday there would be "a commensurate increase in profit and cash flow".

Mr Peter Cowley, technical director, said there had been encouraging results from exploration at the Geita project in Tanzania where there might be an open pit, heap leach operation by the end of 1998. This would boost Cluff's annual gold output to more than 200,000 ounces.

An increased tax charge of £1.24m (£354,000) left the company with net losses of £1.18m.

The ticking time-bomb in Singapore

John Gapper and Nicholas Denton on the hidden trades that brought Barings to it knees

The 1994 Barings annual report would, had it been published, have drawn shareholders' attention to the financial results of its derivatives group. The draft report pointed out that a "particular feature was the growth of over-the-counter and exchange-traded derivative activities in Asia".

Yet these profits were largely fictitious, and were amassed by Mr Nick Leeson using a series of subterfuges which evaded sloppy financial reporting and management practices. That is the inescapable conclusion to be drawn from details of the manner in which Mr Leeson's trades were hidden.

A summary drawn up for Ernst & Young, the administrators of the Barings group, on March 2 shows gaps in reporting lines and inadequacies in controls. These seem to have allowed Mr Leeson virtually free rein to hide trades, and fool Barings into making collateral payments on them.

The memorandum, based on conversations with Mr Tony Hawes, treasurer of Barings Securities, and Mr Tony Gamby, global head of settlements, shows how Mr Leeson did so:

● Netting: Mr Leeson carried out most unauthorised trades in a hidden error account number 88888. But in building up futures and options contracts in this account, he faced a problem. Barings was required to pay initial margin – or collateral – on each contract to the relevant exchanges.

Mr Leeson apparently solved this by netting positions in the hidden account with opposite client positions, although this broke the rules of the Simex futures exchange. Barings was then only required to pay the net margin, which reduced payments, and the chance of discovery.

● Reconciliation: Mr Leeson requested money daily from London for the payment of variation margins – collateral to cover the daily movements in markets. He did not distinguish between the variation margin needed to cover proprietary trading accounts, and money needed on behalf of clients.

Barings advanced this money, then automatically debited its client accounts for the amount they owed. But it had no system to reconcile client debits with total positions. It assumed the balance went to house positions, without checking whether margin payments matched the positions.

This allowed Mr Leeson to set up error account 88888 as a house account, and made large collateral payments on its positions. These payments were never reconciled, and simply accumulated as hidden losses. These losses grew from £22m at the end of 1994 to £306m on February 24 this year.

● Borrowing with options: Mr Leeson apparently part-financed his trading by the hidden sale of options, relying on a key feature of option trading. The writer of an option receives an immediate payment, but the final settlement between the parties occurs only at the closing date.

Nick Leeson: given virtually free rein to hide trades

This allowed Mr Leeson, in effect, to borrow money. He sold combinations of options through the 88888 account that were virtually bound to give the buyer a profit at maturity. This in turn guaranteed that he would receive a high initial premium from the buyers for selling them.

He wrote pairs of long-dated put and call options on the Nikkei index at the same strike price. This meant that unless the index was at virtually the strike price on the maturity date, the option buyer gained. This profit in turn led to an accrued loss in the hidden trading account 88888.

When the time came to pay up and settle the positions, Mr Leeson then sold more options. This "ensured that the day of reckoning was continually being pushed forward and an ever increasing time bomb created." The bomb was not discovered because of two weaknesses in Barings' risk controls.

First, 88888 was an account of Baring Futures (Singapore), and was not reported to London. Second, the unit's accounting system did not have a facility to mark positions to market day-by-day. If it had, it would have shown that the premiums were counterbalanced by lossmaking positions.

The memorandum says it is "possible" that Mr Leeson was engaging in a more complex deception. He could have been deliberately using 88888 to accrue losses in order to "give up" option trading profits to clients. This would imply that he was acting in collusion with outsiders.

● Back office: Mr Leeson is emphasised in the memorandum to have been "in total control of the back office, with a largely female staff who were dominated by him". It described a meeting in October between Mr Hawes and one of these clerks when he visited Singapore to see Mr Leeson.

Mr Hawes "gained a very unfavourable impression of her understanding of futures and options". The memorandum says that she was "quite unable to explain a single entry of $100m". An "unsatisfactory discussion" ensued in London between Mr Hawes and Mr Leeson about this entry.

● Fictitious profits: Although the arbitrage business which relied on exploiting small price differences between the Osaka and Simex exchanges appeared to be profitable, the memorandum says that "much of this apparently profitable business was in fact a fiction" and profits were manufactured.

In fact, trades on Simex were booked in account 88888 at the same price as Osaka trades booked to Barings Securities (Japan). But Mr Leeson then switched the Simex trades to Baring Securities (Japan) at an advantageous price. This created official profits, and hid offsetting losses.

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FINANCIAL TIMES SURVEY

Lower growth target may not be met
☐ Page II

INVESTING IN PAKISTAN

Why privatisation is not doing so well
☐ Page IV

Friday April 7 1995

Karachi's business district: unrest in the city is likely to deter investors

Shadow of unrest shakes confidence

Despite its potential for growth, Pakistan is racked by instability, write Farhan Bokhari and Graham Bowley. Can Ms Bhutto woo foreign investors?

Pakistan is a country with two faces. It is a land of exciting opportunity, rich in skilled labour and untapped resources, with a vast population and the potential for rapid growth. Yet at the same time it is racked by corruption, political instability and murderous violence. The foreign investor, hoping to participate in this still young and growing country, needs to come to terms with the two conflicting images it presents to the outside world.

Certainly, Ms Benazir Bhutto, the Pakistani prime minister, who is visiting the US this week, has much with which to impress the potential investors and the US government officials she will meet there. Pakistan, located on an important crossroads between the Gulf states and the growing economies of south-east Asia, is also well situated to take advantage of the opening up of the vast former Soviet states in central Asia to the west. Its southern coastline along the Arabian sea provides the shortest route from the sea to central Asia.

Moreover, the country's four-year-old economic reforms have brought about important changes, freeing an economy that was once paralysed by bureaucracy and allowing foreign and domestic businesses to establish new projects with little official intervention. The relaxation of foreign exchange controls has enabled banks and private foreign exchange dealers to provide business with ready access to foreign currency, a situation which contrasts favourably with the tight restrictions enforced until early 1991.

The prime minister therefore has some justification when she says: "There are tremendous opportunities here. The Pakistan government is geared up to facilitating investment in a way that has few parallels in the south Asian region of countries."

But such optimism is immediately overshadowed by the country's equally depressing problems, primarily internal, which only serve to harm Pakistan's image.

Perhaps the greatest shadow is cast by the unrest in Karachi, Pakistan's largest city with a population of over 12m people, where almost 1,300 people have been killed since the beginning of last year. The shooting of two US consulate workers in Karachi last month brought Pakistan's internal troubles to worldwide attention. The subsequent decision by the US government to order the children of consulate workers in Karachi to leave the city has caused further unease over personal security.

Suddenly, Karachi, Pakistan's commercial capital, has assumed a reputation of being southern Asia's most violent city. It is perhaps the biggest disincentive for any potential investor now considering coming to Pakistan. Businessmen remain worried over their future and many expatriates who were planning to visit the city to consider investment plans have been advised to delay.

But the plight of Karachi also reflects some of the troubles the government faces across the country. The city is home to one of Pakistan's largest urban slum populations and a growing number of unemployed youths, who are susceptible to the influence of criminal gangs. Pakistan's decade-long backing for the Afghan *jihad* (holy war) in the 1980s has left the country awash with guns and drugs. In Karachi, a proliferation of both has only added more incentives for crime.

The city's troubles are also partly the result of a bitter feud between two factions of the Mohajir Qaumi Movement, or MQM, Karachi's biggest political party, which represents the interests of Karachi's large immigrant population which fled from India following partition. The MQM's two factions have increasingly targeted rival gang members in an effort to gain full control of the city.

The government's failure to restore the rule of law to Karachi is leading to increasing disillusion among the country's business leaders with the Bhutto administration. Justifiably impatient for action, they accuse the government of having a lack of direction in its policies.

Disaffection is slowly growing into open confrontation, with bitter recriminations between business leaders and the government after last month's national strike by business, which brought Karachi and parts of Lahore to a standstill. The government responded to the protest by sacking the head of the country's business federation.

Yet its lack of success in resolving Karachi's problems is in part a consequence of the difficulties in achieving a bipartisan consensus, even on important national issues. Continued bickering between the ruling Pakistan People's Party, the PPP, and opposition leader Mr Nawaz Sharif of the Muslim League, has poisoned Pakistani politics for six years, making decisive action difficult.

Benazir Bhutto: has ended tensions with the US — Ashley Ashwood

Part of the country's problems are also economic. Although the task of providing for the basic needs of the country's population of 128m must be a long-term goal, the government will this year miss even its short-term targets. The failure of the country's cotton crop, still the main driving force behind the economy, because of disease and drought, means that growth could fall below 5 per cent when the fiscal year ends in June.

Inflation, running at an annual rate of about 15 per cent according to official figures but closer to 20 per cent on unofficial estimates, is already having a harmful effect on ordinary Pakistanis. There has been a sharp increase in the price of foodstuffs.

In the middle of a three-year-long IMF structural adjustment programme, Pakistani policymakers also face a chronic shortfall in tax revenue. This is due in part to the slowdown in growth but also to a fall in import tariff revenue, widespread tax evasion and the difficulties of taxing the country's huge black economy. The government's budget deficit, which was expected to fall to 4 per cent of gross domestic product this year, is now likely to come in at 5.5 per cent.

Both the unrest in Karachi and the fall-out from the financial crisis in Mexico, which has soured investor sentiment towards most of the world's so-called emerging markets, has shaken international investor confidence in Pakistan. The international bond market is probably now too expensive for the Pakistan government and Pakistan companies to turn to for their borrowing needs, at least in the immediate future, despite the reasonably enthusiastic reception given to Pakistan's debut eurobond launched at the end of last year.

Although conditions in the international loans market had begun to improve over the last 18 months, with western banks increasingly willing to lend to Pakistan at lower prices and at lengthening maturities, conditions are now unlikely to improve much further in the wake of the Mexican crisis. Pakistan may have to continue to rely on short-term loans.

But perhaps Pakistan's biggest economic handicap is its small, wealthy ruling elite, whose continued refusal to share the fruits of development and growth with the mass of ordinary Pakistani people looks set to keep many disaffected groups on the margins of society. As a result, the country's economic progress could remain on fragile foundations.

To Ms Bhutto's credit, she has done much to turn round the image of the PPP, which had strongly socialist leanings when her father, Zulfikar Ali Bhutto, ruled as prime minister during the 1970s. Today, the PPP is committed to encouraging private enterprise and a market economy and has done much to assure businessmen that their investments are safe.

During her first year in office, Ms Bhutto implemented an aggressive new power policy, designed to offer extra incentives to attract private investors. Commitments worth up to US$16bn have been signed by foreign businesses, although few have yet to be put into practice. One commitment – that by Mr Gordon Wu, a Hong Kong-based businessman – to build a $5.5bn coal-fired power generating plant near Karachi has run into trouble over a dispute with the government on the use of imported coal and the plant's location. However, Pakistani officials say that they hope to resolve the troubles.

Ms Bhutto's government is also keen to press ahead with the privatisation of state enterprises such as the national telephone, power generation and gas companies.

Western companies' enthusiastic response to the government's invitation to invest

Continued on next page

Political wrangling mars democratic progress, writes Farhan Bokhari

Instability still a fact of life

Ms Benazir Bhutto, the Pakistani prime minister, takes pride in the progress the country has made towards democracy, yet the bitter political wranglings between government and opposition parties that typify Pakistani politics provide little comfort to many outside observers.

Since the death seven years ago of the military dictator General Zia ul-Haq, the country has seen seven civilian governments, a track record which indicates political instability.

That instability remains a fact of life, even today. In Islamabad, the country's capital, there is currently much talk among opposition politicians of behind-the-scenes intrigue to stage a "vote of no confidence" against Ms Bhutto. This is despite the apparent support afforded to her government by the two other power bases in Pakistani political life – the army and the president.

Nevertheless, Ms Bhutto remains confident that her coalition government is strong enough to withstand any pressures, and indeed points to the fact that those pressures exist as a positive sign. "In all democracies, when the press and the opposition can freely criticise, they say all sorts of things and feel safe in saying them. I think that's a sign of a healthy political atmosphere," she says.

Despite that confidence, the prime minister faces a series of challenges on the political front.

In Islamabad, Ms Bhutto's Pakistan People's Party, the PPP, rules in coalition with a smaller political faction led by Mr Hamid Nasir Chattha, who broke ranks from Mr Nawaz Sharif's opposition Muslim League party more than two years ago.

The same coalition rules in the province of Punjab, the largest of Pakistan's four provinces, and therefore politically the most important one.

In Sindh, the second largest province which is also the Bhuttos' home base, the PPP rules with a clear majority. However, in Karachi, the provincial capital of 12m people and Pakistan's only port, it faces the difficult task of curbing recent lawlessness.

The frequent killings in the city during the past year have, to a large extent, been caused by a split in the Mohajir Qaumi Movement, or the MQM, Karachi's largest political party. The resulting infighting between the two opposing factions has led to much bloodshed and caused many local businessmen to worry over the future of their businesses.

The city's troubles have recently been at the centre of a strike called by Pakistan's largest business federation, the Federation of Pakistan's Chambers of Commerce and Industry in protest at the violence.

Ms Bhutto has offered to share power with the MQM if the party can bring peace to Karachi for six months, but it is far from clear if that initiative will end the trouble.

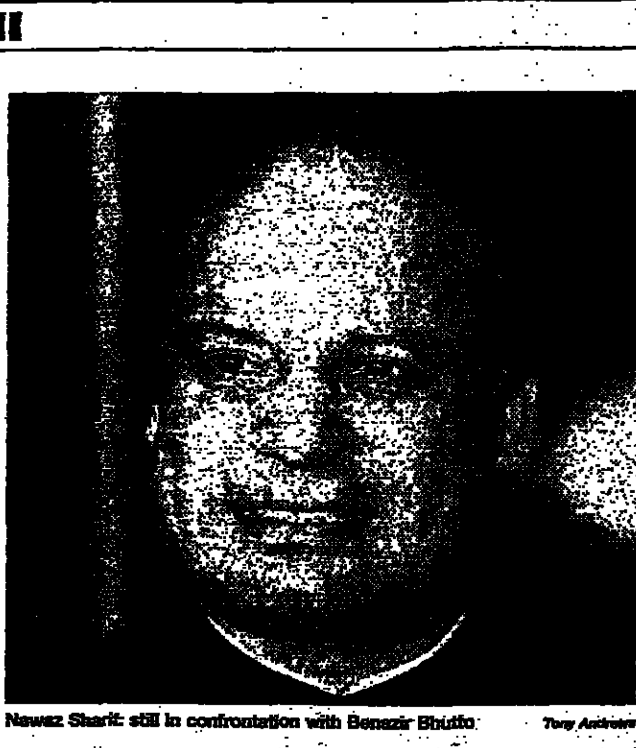
Beyond such immediate challenges, some critics accuse both Ms Bhutto and Mr Sharif for failing to agree on the necessary changes in the country's political framework that would be of mutual benefit to both. Ms Bhutto herself has been the victim of "horse-trading" – a term used by Pakistani politicians to describe the quick change of loyalties by MPs – when her government fell from power in 1990.

Three years later, Mr Sharif, the opposition leader, suffered a similar fate when some of his MPs defected to the PPP. Last year, Mr Sharif accused Ms Bhutto of inducing the downfall of the Muslim League-dominated provincial government in the North West Frontier Province. The opposition claimed that the government had paid money to buy the loyalty of some opposition MPs who then defected to the PPP.

In spite of these incidents, both leaders have failed to agree on new terms of conduct which would force MPs to seek re-election before changing parties, so that a government would be less likely to suffer party defections before the end of its term of power.

A consequence of this failure is that an agreement on such controversial issues as Pakistan's blasphemy laws remains only a remote possibility.

During the past few months, international human rights groups have increasingly taken note of the conditions of Pakistan's religious minorities after two Christians were sentenced to death by a lower court on a blasphemy charge. The two men were acquitted on appeal to a higher court, but they then left the country after threats from Islamic militants.



Nawaz Sharif: still in confrontation with Benazir Bhutto Tony Andrews

Mr Sharif has also accused the government of unleashing a campaign against the opposition which has taken the two parties further away from any possible agreement to resolve flaws in the political system. The opposition has condemned the government for "political victimisation" after the arrest, on criminal charges, of three opposition members of the lower and upper houses of parliament in Islamabad.

Over the past four years, Pakistan has made intense efforts to open up its economy, but some critics argue that the continued government-opposition confrontation only serves to harm investor confidence.

One leading Pakistani businessman says: "The politicians are setting traditions that the two sides must forcefully fight each other from day one. This is acceptable only when investors are completely convinced that the fighting will not harm business prospects."

Nevertheless, Ms Bhutto is defiant that such confrontation will not cause harm to the country. She says of the government and its opposition: "On the basic economic and foreign policy issues, I think we agree and on the rest of the matters we disagree."

The prime minister cites policies of economic reform, privatisation, nuclear non-proliferation and relations with arch-rival India as among the areas on which there is no dispute.

A man checks the quality of emeralds for sale in Peshawar, a centre for precious stones Fergus Wilde

Economic progress continues to be disappointing, writes Graham Bowley

Lower growth target may not be met

Suffering from a third successive failure of its cotton crop, dogged by high inflation and a deteriorating budget deficit, and overshadowed by political unrest and violence, the Pakistan economy continues to disappoint.

While the present government, under Ms Benazir Bhutto, the Pakistan prime minister, has worked hard to lay the foundations of economic stability within a country that undoubtedly offers huge potential, its ambitious economic programme now risks being blown off course.

The government has continued the tough curbs on public spending, bank lending and foreign exchange outflows begun by Ms Bhutto's predecessor, Mr Moeen Qureshi. It has proceeded with widespread privatisation and has succeeded in attracting significant foreign investment, principally to power generation, by offering extra incentives. And it has further liberalised an economy that was already one of the most open in the developing world.

But already the government has revised downwards its growth target for this year from 6.9 to 5.3 per cent on the back of the disease and drought which has hit cotton production. Even this may prove too optimistic. Cotton determines the commercial health not just of cotton farming but also of textiles, Pakistan's largest industry and the biggest contributor to its export earnings.

Economists estimate that every 1.5m bales of cotton lost reduces gross domestic product by 1 per cent. With the government now forecasting 8m bales this year, down from the expected 9.5m, some economists are looking for growth closer to 5 per cent, though this is an improvement on last year's 3.96 per cent.

Inflation still refuses to be brought under control. Running at an annual rate of around 15 per cent, it is more than double the government's 7 per cent target. Some economists suspect it could be even higher than this.

It has risen due to an increase in food prices caused by poor chilli and wheat harvests, as well as the poor cotton crop. The price of edible oils has doubled over the last year. Higher support prices for farmers, increased energy, gas and water costs, and the devaluation of the rupee in 1993 have added further to upward price pressures.

Monetary expansion has also been fuelling inflation. Reduced from 20 to 12 per cent, it has since risen back above government targets to around 16 per cent, due in part to the growth in foreign reserves.

"While we have been borrowing less and less and while the exchange rate has been maintained at a reasonable level, the big disappointment has been inflation," says Mr Shahid Hasan Khan, an economic adviser to the prime minister.

Making jellabi (sweets) at an industrial estate near Swabi Fergus Wilde

Pakistan's budget deficit, which fell from 8 per cent of GDP in 1993 to 5.8 per cent last year and was set to fall to the target level of 4 per cent this year, now looks set to come in at around 5.5 per cent.

Government spending has surged in recent months – military expenditure, debt servicing and running the government's administrative machinery continue to be a drag on the economy. But the principal reason for the deficit overshoot is the decline in tariff revenue. The slowdown in growth has contributed to this, as has the fall in imports, which has meant lower import tariff revenue.

The government has also failed to implement properly a new wealth tax on agriculture, and a general sales tax which has encountered strong resistance from business opposed to its imposition. Tax evasion – particularly in lawless Karachi, which normally generates around 70 per cent of tax revenue – and the illegal smuggling of goods into Pakistan from Afghanistan are also to blame, causing, in the words of Mr Khan, "a haemorrhaging of our tax revenues".

Figures for the first half of the current fiscal year show that only around three-quarters of the planned tax revenue was collected. Pakistani and western economists agree that improved methods of tax collection must be a priority for the government. "One of Pakistan's starkest problems is for it to improve its tax collection," says Mr John Davitte, of IDEA, the London economic forecasting group.

But the greatest shadow on the economy is cast by the epidemic of crime and violence in the southern port of Karachi, Pakistan's largest city and its commercial capital. Karachi's troubles threaten to sour domestic business confidence and deter international investors, already somewhat wary of the developing world's so-called emerging markets following Mexico's financial crash.

The fear must be that many of the foreign companies that have signed memorandums of understanding will, after all, decide against putting money into Pakistan. For although foreign direct investment into the energy sector has increased sharply, outside that sector it remains barely a trickle. And although portfolio investment flows have also increased in recent years, they have tapered off since December in the wake of Mexico and as the unrest in Karachi has worsened. The full ramifications of the bungled flotation of the Pakistan Telecommunications Corporation have also yet to be felt.

Yet foreign investment is crucial if Pakistan is to diversify from the agricultural crops upon which it is currently so dependent and which make it so vulnerable. The sharp fall in the Karachi stock market since the beginning of the year, however, is hardly a sign of foreign investors' confidence in Pakistan as a place to do business.

Ms Bhutto may be committed to economic development and reform, but while her government fails to tackle problems in Karachi and widespread corruption and overspending persist in even the highest places, the Pakistan economy will continue to disappoint.

Unrest shakes confidence

Continued from previous page

directly in the power sector, the privatisation of which will begin this year, is a strong indicator of international business interest in Pakistan. Many foreign businessmen commend Pakistan for its deregulation policies, which have made the process of investing in Pakistan much easier.

"The government under Benazhir Bhutto is receiving an enthusiastic response from foreign investors," says Mr Chris Vermont, director, international merchant banking at ANZ Grindlays Bank in London. "The policies of financial and economic liberalisation continued under the present administration are stimulating foreign interest and attracting investors."

Some domestic businessmen echo this optimism. Mr Nisar Memon, president of the Overseas Investors' Chamber of Commerce and Industry in Karachi and country general manager for IBM, admits that Karachi's troubles have had a short-term impact, causing some investors to delay their visits to the country. However, he says, western interest remains high and in the long term it will be "business as usual".

"There are some delays but the course has not changed at all," he says. "Pakistan is on the right track and the government's policies are conducive to investment in the country."

Others, however, are more cautious, pointing to the disappointing economic growth record, high and rising inflation and the deteriorating budget deficit.

A lot depends on whether Ms Bhutto's foreign policy – especially her trip to the US – succeeds. She is intent on mending Pakistan's relationship with the US, which has suffered in recent years after the withdrawal of US aid primarily due to concern over Pakistan's nuclear programme. Pakistan has refused to open up its nuclear facilities for international inspection unless its arch-rival, India, does the same. Without allowing such inspection, there is little chance that US sanctions on Pakistan will be lifted.

However, Ms Bhutto has succeeded in ending the tensions which were triggered two years ago, when Washington placed Pakistan on a watch-list of countries supporting terrorism.

But troubled relations with India and continuing warfare among the Mujahideen factions in Afghanistan are other difficult issues. Almost one-third of Pakistan's annual budget goes towards maintaining a large army and substantial cuts in the defence expenditure are a remote possibility unless the Kashmir dispute, which has triggered three bitter wars between India and Pakistan, is first resolved.

In Afghanistan, fighting between different Mujahideen factions continues to undermine not only the chances of peace but also Pakistan's dream of developing land routes through that country to gain access to central Asia.

Pakistan's image as an attractive country in which to invest has improved greatly with its recent reforms. But they are only an important beginning and many political and economic hurdles have still to be overcome.

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Graham Bowley looks at the effect of changes in attitudes towards the world's emerging markets

Wary comeback of the western banks

Pakistan's access to foreign capital markets, essential if investment in the country's infrastructure is to continue, has been dealt two serious blows since the turn of the year – by the growing unrest in Karachi and by the fall-out from Mexico's financial crisis.

The troubles in Mexico, which have soured investor sentiment towards the world's so-called emerging markets generally, came at an unfortunate time for Pakistan.

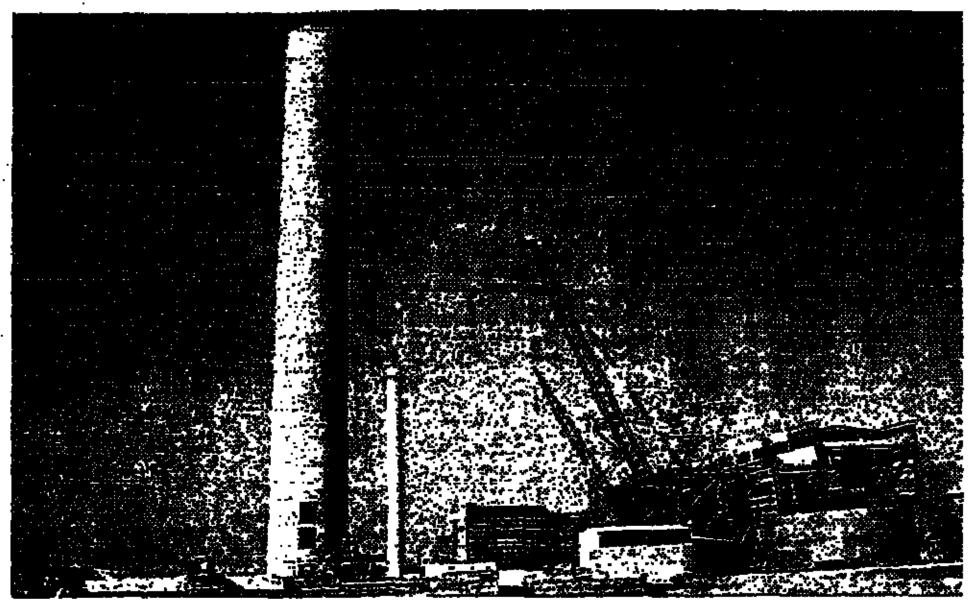
Just a few days before the initial devaluation of the Mexican peso in December, Pakistan made its debut on the international bond market, after securing its first investment grade ratings on its debt from US credit rating agencies.

Priced at a yield premium of 385 basis points over US treasury bills, the modest $150m five-year bond offering was soon caught up in the emerging markets sell-off and the yield premium rose to more than 680 basis points over US treasury bills.

The rising tide of violence in Karachi, the country's commercial capital, has taken over where Mexico left off, continuing to unsettle foreign investors. The yield premium required by investors if they are to put their money into Pakistan is now so high that the bond market is probably too expensive for the government and for some of the country's large corporate borrowers, which may have hoped in time to turn to the bond market for their borrowing needs.

The international loans market, on the other hand, remains healthy. While many bond-financed projects in developing countries have been dropped following the Mexican crisis, western commercial banks remain keen to lend, and on increasingly attractive terms. This is true in Pakistan, where pricing on loans has dropped and maturities have lengthened. Whereas until recently western banks were unwilling to lend money to Pakistani concerns for longer than one year, one recent deal – a $100m syndicated loan for Pakistan State Oil arranged by Citibank – has pushed maturities up to 18 months, and at an attractive price of 105 basis points over the London Interbank offered rate, the benchmark interest rate for such loans.

"Except for very short-term trade-related deals, western banks have been absent from Pakistan since 1989, due to considerable concern over political instability and Islamic banking practices [which prohibits the charging of interest on loans]," says Mr Rollo Prendergast at ANZ Grindlays Bank, in London. "But over the last year and a half western commercial banks have been returning."



The Karachi Hub River power plant

Photograph: Reuter

The banks have been attracted back by the continued liberalisation of the economy, deregulation of the financial system and the government's encouragement of the private sector, policies which have been received enthusiastically by western investors.

The government thinks that foreign investors will continue to take a long-term view, overlooking the immediate troubles. *Mr Shahid Hasan Khan*, an economic adviser to the prime minister, says: "The investors we are targeting are essentially long-term institutional investors working on infrastructure projects. While short-term investors are certainly unnerved by the events in Karachi, institutional investors, who made their decisions when there was already some unrest in the country, will maintain their commitment to invest."

However, many western bankers think that further repercussions of the Mexican crisis have still to be felt with the consequence that loan maturities and pricing are unlikely to improve much further. "Although loan conditions have improved slightly, Pakistan will have to continue to rely on very short-dated debt," says one emerging market specialist at a leading US bank in London.

Furthermore, western creditors remain wary of taking on exposure to Pakistan risk on their own and will continue to require guarantees from international bodies such as the World Bank, the International Finance Corporation, the Asian Development Bank and the Japanese Exim Bank, all of which are active in Pakistan, taking the brunt of the country risk for foreign investors in several projects.

The bond market is probably too expensive for the government

Yet this comes at a time when the World Bank – which provided a large portion of the funding for the recent $1.6bn Hub River power generating project, for example – is looking to reduce its own exposure and says it will be participating to a lesser extent in future projects.

One leading western economist in Islamabad says: "There were high expectations that the Bank would provide more for the energy sector. But these expectations were excessive in terms of the investment and level of guarantee. The Hub was unique – it was the first and the idea was to show that it could be done."

This is hardly comforting news for Pakistan. The country's own domestic bond market remains underdeveloped, held back to a certain extent by Islamic law. The government holds regular auctions of government debt, but this is a recent innovation and the market remains thin and illiquid.

The government has also taken steps to establish a corporate bond market – stamp duty, which before was prohibitively expensive, has gone and a national credit rating agency, called Pacra, has been set up. Some large companies have been considering launching a bond but few have so far taken the plunge.

There is, however, one bright spot – the equity market. International investors' enthusiasm about putting their money into Pakistan companies' equity offerings remains seemingly undiminished, despite the uncertainty last year over the privatisation of the Pakistan Telecommunication Company.

"Pakistan offers lots of opportunities and the wild volatility recently has meant that fund managers have been able to negotiate very tough and favourable deals," says Mr Colin Kingsnorth of Regent *Kingpin Capital Management*, which manages a $50m fund targeted principally at Pakistan equities. "You can lay down some fierce conditions at the moment in a way that you could never do before."

Mr Tariq Gilani, head of investment banking at ANZ Grindlays in Karachi, points to the number of international brokers that have opened offices in Karachi in recent years.

A seat on the Karachi stock exchange, which cost $100,000 three years ago, now costs $1m. "The development of the stock market here has been so strong that projects here are being financed through 100 per cent equity," he says.

Following the violent unrest in Karachi, however, the stock market has dropped like a stone – down 20 per cent so far this year. How long foreign investors' enthusiasm will continue as Karachi's troubles rumble on remains to be seen.

Toyota's car factory in Karachi

Photograph: Reuter

An oil industry risk taker

Cracker should boost Karachi

Mr Hamid Jaffar takes pride in being a risk taker. His Sharjah-based Crescent Petroleum Company International, or CPCI, of which he is chairman and chief executive, has just begun work on the construction of a $500m hydrocracker plant in Karachi. The plant, which is the first of its kind in the country, is expected to use sophisticated technology to refine low grade fuels into high value products.

The investment is significant by Pakistani standards. Although it is the largest single project in the petroleum sector by any foreign investor, under normal circumstances it would have attracted much less attention. But at a time when many businessmen live in fear for their lives and business interests because of continuing violence in the city that many regard as Pakistan's corporate capital, the project has acquired a symbolic importance.

Ms Benazir Bhutto, the Pakistani prime minister, answers the critics who blame her for failing to boost Karachi's business confidence by citing the project as an example that investors are still coming. "Karachi is a strange city. In some parts there is terror but in other parts of Karachi a lot of investment is taking place," she declares.

Mr Jaffar says: "We work on the fundamentals. There is a need for refined products and the refinery makes economic sense." The hydrocracker plant, with annual production capacity of 1.2m tonnes, will convert residual fuel oils left in waste from refining crude oil when it begins production in three years. Its end products will include motor gasoline, naphtha, kerosene, jet fuel and high speed diesel fuel.

The company estimates that demand from the domestic market will continue to grow in coming years. At present, the Pakistani market requires 7.5m tonnes of distillation fuels annually, of which 5m tonnes is imported. The need for imported fuels is expected to rise to 6m tonnes or roughly by 20 per cent next year.

Crescent expects to finalise the financial arrangements for the project this summer, with possible loan commitments from the Jeddah-based Islamic Development bank, Commonwealth Development Corporation and the Asian Development Bank. The World Bank has indicated it will provide loans worth $150m or just under 30 per cent of total costs from its Public Sector Energy Development Fund or PSEDF, according to Crescent.

Mr Jaffar commends Pakistan's petroleum policy, which has allowed foreign investors to invest freely in the country, and made it possible for new investors to enter the market. He is encouraged by the Pakistan government's enthusiasm to see the project move forward, as reflected in the remarks of Ms Bhutto who pledged her support recently when she presided over its ground-breaking ceremony.

Mr Jaffar is now working on another ambitious project. He is trying to put together a consortium to construct a pipeline worth almost $3bn to export gas from Qatar to Pakistan's southern coast, with a possible extension to India.

Despite his confidence, many other businessmen are dubious. Corporate confidence has recently been hit hard by the violence in Karachi. Foreign businesses in the city have been alerted by their head offices to take extra precautions in ensuring the personal security of their executives. Plans by a British trade delegation to visit Karachi on the back of a large investment mission, had to be abandoned last month due to the concern over security.

One leading businessman in the city says: "It's much easier to sign a contract and have a ground-breaking ceremony, but projects like the hydrocracker plant can easily be undermined unless the security situation improves." But Mr Jaffar, citing his background in petroleum exploration, says: "We are basically risk takers. We don't shy away from risk."

Farhan Bokhari

INVESTING IN PAKISTAN IV

The Karachi Stock Exchange: lagging behind most of its neighbours Photograph: Reuter

Why privatisation is not doing so well

Confidence suffers

Fortune is not smiling on Pakistan's privatisation programme, which has been dogged by tumbling stocks, political woes and the flop of last year's high-profile privatisation sale of Pakistan Telecom.

As a result, equity offerings to institutional investors are expected to be few and far between until investor confidence in the Pakistan stock market recovers. In the meantime, any privatisation offerings are likely to be targeted at strategic investors or sold through small private placements to specialist investors.

"Most investors are very cautious indeed," says Mr Simon Barnasconi, at the equity syndicate desk of ABN Amro in Amsterdam. "Many have lost money on previous issues, and the situation in the capital markets in Pakistan is rather uncertain." While he feels that the Karachi Stock Exchange offers attractive valuations compared with other Asian markets, "now is not the time to come with new issues," he says.

Over the last four years, Pakistan's economic reform process opened the country's stock market to foreigners. Unlike in some neighbouring countries, access to Pakistan's stock market is easy and international investors have complete freedom to buy and sell any share without limit on investments, and can fully repatriate capital and profits.

However, while Pakistan benefited from the 1993 boom in worldwide emerging markets, it also suffered from the sell-off in developing markets after the US Federal Reserve began raising interest rates in February 1994. The Mexican financial crisis in December 1994 triggered a second wave of emerging market selling, sending many markets – including Pakistan's – into oversold territory.

Further weighing on Pakistan's markets has been a wave of violence in Karachi, the country's commercial capital, caused by gang warfare between the city's rival ethnic and religious groups which left over 360 people dead this year alone. The killing on March 8 of two US consulate staff sent further shivers down investors' spines. In late March, businessmen called a national strike to protest against government inaction over the rising violence in Karachi.

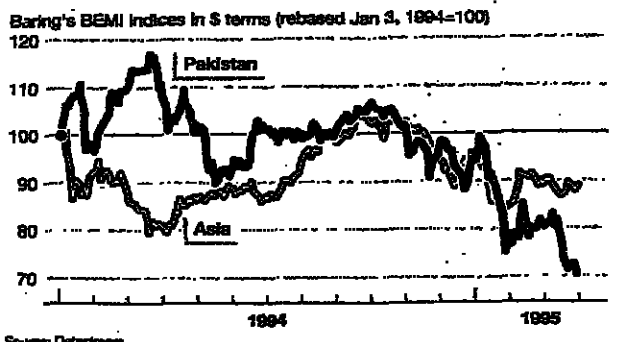
All this has made the last six months a bumpy downhill ride for investors. In the year to late March, the Karachi Stock Exchange 100 index has fallen some 21 per cent to 1.644, considerably underperforming most of its Asian neighbours; in the last 12 months it has shed about 38 per cent.

Many foreign investors have also been badly burnt by their involvement in last September's sale of some $900m of shares in Pakistan Telecommunications Corporation (PTC), the state-owned domestic telephone monopoly. The GDRs (global depositary receipts) were sold at $179 each and now trade at around $92, nearly half the issue price.

The issue – the first Pakistani equity offering targeted largely at international investors – made a promising start, with demand heavily outstripping the number of shares on offer. However, investor enthusiasm waned some weeks later when it transpired that the offering memorandum for the issue had vastly overstated the number of telephone lines in operation in Pakistan, thus distorting PTC's earnings prospects and triggering a sharp drop in its GDR price. The discrepancy was blamed on an error in the original research done for the domestic issue by a Pakistani broker.

Pakistan Stock Exchange

Baring's BEMI indices in $ terms (rebased Jan 3, 1994=100)



Source: Datastream

However, investors were quick to blame lead manager Jardine Fleming – which executed the transaction in just 10 days, without roadshows or prospectus – and accused it of negligence for not carrying out appropriate due diligence. Many are still sitting on large losses, and some bankers say investor disenchantment with the PTC issue has killed off international demand for new issuers out of Pakistan.

But Jardine Fleming rejects this criticism. "I totally disagree that PakTel has closed the market," says Mr Matthew Lechtzier, a director of equity capital markets at Jardine Fleming in Hong Kong who worked on the deal. "All emerging markets have fallen, and Pakistan is no exception." Contrary to market talk, he says that no investor has threatened to take Flemings to court over the matter.

As to accusations of negligence, he says: "The government wanted the money by the end of the month. We were given a clear mandate on the basis that there would be no due diligence; if we wanted to do the transaction we had to do it on that basis. We bid for the mandate on that basis and so did all the other banks."

Moreover, he says, investors received ample warning. "We made it very clear to everyone that the government was not going to provide us with the opportunity to do due diligence – everyone knew what was going on."

While the uproar over the documentation error may have triggered the initial share price decline, the main reason for its ensuing plunge was the fact that PTC serves as a proxy for the whole Karachi stock market, according to one Karachi broker. He says that, on some estimates, PTC accounts for about 40 per cent of the market's total capitalisation.

"PTC is by far the most liquid stock on the KSE, so investors who wanted to sell the Pakistan stock market during the emerging market meltdown sold PTC." The company's share price was further depressed by heavy short-selling by domestic dealers betting on an even sharper drop in the market, he argues.

Much now depends on how the planned trade sale of a further 26 per cent stake in PTC goes. The government is in the process of picking a bank which will advise it on the selection of a suitable strategic partner for PTC, which will obtain management control through its purchase of the stake. Several potential suitors are in the frame, including AT&T, Pacific Bell, Siemens, British Telecom, Cable & Wireless and Alcatel. Some say a consortium of telecommunications companies might also be considered.

"The trade sale of PakTel will be one of the more defining moments for the market this year," says Mr Robert Lough, director of equity capital markets at Kleinwort Benson in London. "If the stake gets sold to a good operator who will add value to the company, that should be good for PakTel and for the market as a whole."

The government is also thought to be considering setting up a special privatisation fund to invest in the 30-odd state-owned companies slated for privatisation, many of which are infrastructure stocks such as electricity generators and gas distributors. Such a fund, drawing together money from specialist investors with a long-term commitment to the region, could act as a catalyst to get the privatisation show back on the road. This in turn could boost institutional investor interest in new public equity offerings, not just privatisation sales but also private sector deals.

However, some say the market is unlikely to stage a sustainable recovery until the government manages to stem the tide of lawlessness overhanging Karachi, and until then foreign investors will remain lukewarm.

In an effort to turn the tide in their favour, Pakistani stockbrokers recently sacrificed 10 black goats outside the Karachi Stock Exchange after parading them around the trading floor. Their efforts were vain however: in the following week, the index reached a new 16-month low.

Conner Middelmann

Those who benefit from interest shall be raised like those who have been driven to madness by the touch of the devil; this is because they say: "Trade is like interest" while God has permitted trade and forbidden interest.
– The Koran, Surah Al 'Imran, verses 130-132.

Western financing practices may have gained hold, but traditional-style music remains popular Photograph: Reuter

Graham Bowley looks at Islamic finance

The art of trading without interest

Twelve hundred years after the Prophet Mohammed prohibited the receiving or paying of "riba", or interest, Pakistan, along with other Moslem countries, is faced with continuing demands from its influential Moslem activists to shift its entire financial system to a non-interest basis. But the record has been one of mixed success.

The justification is that conventional interest-based western financing practices are unfair – unjustly rewarding the owners of capital while forcing entrepreneurs, the users of capital, to shoulder all the risk of an investment project. In the Islamic way of thinking, those who own the capital and those who use the capital should both share the risk and the reward.

"In traditional western banking," explains Professor Khurshid Ahmad, chairman of the independent Institute of Policy Studies in Islamabad and a keen supporter of Islamic finance, "the concept of interest is more than simply a reward for capital, it is a predetermined fixed reward," with the result that interest is not based on the real productivity of capital but on an assumed productivity, ensuring a fixed, guaranteed and false return to the creditor.

"Islam says this is unjust," says Prof Ahmad. "While we recognise that capital is productive and is entitled to a return, that return should be a variable one, so that the capitalist and the entrepreneur both share the risk as well as the reward."

> The risk should be shared between those who own and those who use capital

The beginnings of an Islamic banking system date from 1975, when the first Islamic banks - the Dubai Islamic Bank and the Jeddah-based Islamic Development Bank – were established. Momentum picked up in Pakistan in the early 1980s when General Zia ul-Haq, the military dictator, made Islamic banking and finance compulsory as part of his attempt to put all areas of Pakistani society under strict Islamic rule.

Prof Ahmad estimates that there are now more than 60 Islamic banks around the world, with deposits of close to $80bn. On some estimates, this stock of Islamic capital is growing at a rate of 12 to 15 per cent each year. Flows of Islamic finance into Pakistan alone, originating mainly from Middle Eastern countries such as Saudi Arabia and Kuwait, are estimated to be between $1bn and $2bn. "It is a financial market that is going to be more and more of a player in the world markets," said Mr Adil Ahmed, director of Islamic financing at ANZ in London.

The fact is, however, that much of finance and banking within Pakistan still operates on an interest basis. "We are only half way there," concedes Prof Ahmad.

The federal shariat court, the country's highest religious court, has ruled that all interest is forbidden. A government-backed appeal against the judgment has been filed to Pakistan's supreme court, but it is not clear when a decision will be made.

But although the word "interest" is rarely used, the term "mark-up", substituted in its stead, in effect means the same thing. To many in Pakistan this will always have to be the case. "I'm a fairly good Moslem," said one Pakistani banker in Islamabad, "but in a world that operates on interest, how can we exist as a small island?"

Nevertheless, the supporters of Islamic banking continue to expound its benefits. One of their main arguments is that whereas conventional banks have an interest only in the collateral they receive for a loan, caring little for the success of the investment, Islamic banks will take a "hands on" approach, providing support and advice. The result, they say, is that there are fewer bankruptcies.

Furthermore, Islamic banking encourages a wider distribution of wealth and more even economic development – those who already possess capital do not necessarily accrue more, instead profit goes to the most successful entrepreneur. One of the key concerns of Islamic thinkers is that the economies of poor Moslem countries be developed by providing finance to enterpreneurs ignored by conventional banks.

Islam also has some interesting things to say about derivatives. These financial instruments, which derive their value from an underlying asset such as a bond or a commodity, would be prohibited under a fully Islamic banking system since they add no value. This is because trade in derivatives is simply trade in claims on an asset, not in the asset itself. The damaging fluctuations in asset markets caused by sharp movements in derivative markets in the west would therefore not occur in an Islamic system because derivatives would not be allowed to exist.

> Derivatives would not be allowed to exist in an Islamic system

But, whatever the benefits, the fear must be that potential foreign investors are scared off from Pakistan by the thought of not receiving a guaranteed income from their money. Prof Ahmad thinks not. He says investors come to the country not because they are concerned about interest but because they expect profit.

He says that over the last 10 years, there has been a shift away from loan investment towards direct capital investment into Asia, driven not by interest but by profit. This shift has occurred because investors realised that development through loans did not work since local people lacked expertise and technology. Now they bring the technology and expertise of their own, as well as capital, and take a direct stake in a country.

This, according to Moslems, makes for healthier development. Prof Ahmad points to the case of Mexico, which has collapsed twice because short-term capital, which was not tied to profit, came and then quickly left again.

The army in business

Rise of the khaki capitalists

Lieutenant General (retired) Farrukh Khan, is a well-known army officer, but most people in this country probably remember him more for his reputation as a tough, no nonsense soldier. His new job as director of the AWT (Army Welfare Trust), one of Pakistan's fastest-moving business enterprises, is therefore as radical a change for the general as the transition that his organisation is going through.

Almost two decades after the AWT was set up as a small welfare organisation for retired soldiers, it is now poised to become one of Pakistan's most active business groups. A cement plant and a pharmaceutical company are due to become the newest additions within the next year.

> Shaheen Airlines, backed by former air force officers, is now the second largest airline

Other running projects, that have attracted a growing number of consumers, include one of Pakistan's most successful housing land development projects, a sugar factory, businesses to produce shoes and woollen garments, and a glass company. But plans for the future are even more ambitious.

The AWT has also been asked by the army's top command at the general headquarters to consider a joint venture for co-production of Britain's Land Rovers. The trust is even considering proposals for co-production of helicopters with foreign partnership, in Pakistan. If any of those projects go ahead, they could become a landmark in launching the AWT's first-ever joint venture with foreign businesses.

The AWT's expansion reflects the growing presence of business organisations tied to the defence forces, which have ruled Pakistan for almost half of its 47-year independence. In rather more than two decades, another organisation of ex-army personnel, the Fauji foundation, has established a stronghold in businesses manufacturing fertilisers and chemicals.

Such organisations are now also trying to expand in areas that go far beyond the traditional concept of using welfare money only to invest in relatively risk-free enterprises such as small to medium-sized businesses and industry. The Shaheen Airlines, a welfare project of the Shaheen Foundation, backed by former air force officers, which started a small-scale operation a few years ago, is now emerging as the country's second largest airline after Pakistan International Airlines, the official carrier. Recently, Shaheen began its first international flight, linking Pakistan's northern city of Peshawar to Dubai.

But executives such as General Khan deny that the growth of organisations such as the AWT is any reflection of the army's dominant role in this country. "When the government wants a job done, we have credibility and the faith of the people, that we will get the job done," he says. He cites the record of some of AWT's businesses to support that claim.

Last year, the Askari commercial bank, a subsidiary of the AWT, became one of Pakistan's fastest growing private banks when it declared approximately Rs182m ($6m) in pre-tax profits, up almost 96 per cent from a year ago. General Khan says that "professionalism" on the job is the first criteria for hiring staff members. As a result, fewer than half of the 12,000 employees who together run the bank and AWT's other organisations have a former defence background.

Despite the growth, the AWT's main agenda remains that of making profits to support ex-army personnel. Towards that end, two new hospital wards came into operation from last year's profits, while the AWT is considering other similar welfare projects.

General Khan also says that despite its growth, the AWT carefully avoids high risk projects. He says: "We may not be smart but we are certainly very steady. People should have faith in us."

Farhan Bokhari

COMMODITIES AND AGRICULTURE

Steam coal demand forecast to grow 10%

By Michael Smith

World demand for steam coal will rise in 1995 by more than 10 per cent and there could be shortages of supply, according to a report by McCloskey Coal Information Services.

The imbalance between supply and demand has already affected prices. MCIS's monthly spot indicator is, at \$43.94, nearly \$8.80 higher than a year ago and has risen in each of the past 14 months.

Market expectations are that they will rise higher in the next 18 months.

The McCloskey Big Coal Book for 1995-96, detailing world suppliers, consumers and traders of coal, says it expects world demand for steam coal to rise by more than 23m tonnes this year on 1994's 211m tonnes.

The projected demand growth comes primarily from Asia, particularly from new coal-fired power stations in Japan, South Korea, Taiwan and the Philippines. Some Indian power stations are also switching from indigenous coal to imported coal, according to the report.

One reason for the potential coal shortages is that Poland and Russia are likely to supply significantly less this year compared to last.

McCloskey says another problem is that the US coal industry can no longer act as a "swing supplier", switching additional supply on and off at short notice.

Mines have closed and the first phase of the acid rain legislation has seen big switches of tonnages within the US market. In addition the "dismal level" of steam and coking prices over the last few years has turned US suppliers off the international market, according to McCloskey.

The report says exports will increase from all suppliers other than Poland and Russia.

"While the US may or may not be able to fill the substantial gap left by a failure of supply of other countries this year, the market cannot rely on the US to meet the massive demand which will be added over the next three years.

"Current investment activity in the coal industry appears to be centred on the very big predator companies buying up existing operations. This process must come to an end if the market is to be supplied and real investment must be made into developing new mines to supply what is to become a massive new demand in the second half of the 1990s."

The McCloskey Big Coal Book, 1995-6, available at £195 from McCloskey Coal Information Services, PO Box 15, Petersfield, Hampshire, UK, GU32 3RG.

CIS leads aluminium production costs rise

By Kenneth Gooding, Mining Correspondent

The cost of producing aluminium in the Commonwealth of Independent States is now well above that in the western world, according to the Anthony Bird consultancy organisation.

Operating costs in the west have jumped by 15 per cent in the past year to 57 US cents a pound (\$1,256 a tonne) whereas CIS costs are estimated to be 65 cents (\$1,433), Bird's Aluminium Annual Review suggests.

Costs have been forced up by higher aluminium prices because contracts for power and alumina, the raw material for the metal, are frequently linked to the metal's price. Also, alumina prices have been rising fast after languishing for most of 1994. "We think the alumina cycle will give metal costs an important upward push which will last some years," Bird adds.

The review suggests that an aluminium price of 65.7 cents a pound is needed to justify new smelting capacity in Canada, the lowest-cost producing region. "Rising costs, especially for alumina, will push this up to at least 74.6 cents in today's money and, if the alumina cycle develops in the way we expect, the number could go as high as 79.4 cents for a time," says Bird.

New smelting capacity is urgently needed after the "investment famine" of recent years, Bird insists. It estimates that the aluminium industry has less than one quarter of the new smelters under construction that it should have.

The balance between supply and demand will tighten noticeably during 1997, says Bird, "and it threatens to remain tight in the years after 1997 unless producers can be persuaded to raise their levels of investment in new capacity very substantially. This means of course that prices will have to stay consistently ahead of costs, and do so for some years."

Aluminium Annual Review: £1.075 from Bird Associates, 193 Richmond Road, Kingston upon Thames, Surrey KT2 5DD, UK.

'Snooper's charter' on seed royalties resisted

By Andrew Martin

Representatives of UK agricultural seed contractors met the government yesterday to urge changes to European Union rules on royalties for seed breeders that are due to come into force later this month.

Earl Howe, parliamentary secretary at the Ministry of Agriculture, said he would pass on their concerns to Mr William Waldegrave, the agriculture minister, who is attending an EU farm council meeting next week.

The new regulations come into force on April 27 and will allow seed breeders to collect a royalty on seed saved by farmers and horticulturalists from their crop. Although the UK has obtained a delay of seven years on the introduction of royalties for some seeds, contractors and farmers are concerned that the regulations will be bureaucratic and costly.

The regulations are due to be finalised by EU officials at meetings over the next two weeks.

"The draft regulations are monstrous, nothing short of a snooper's charter, enacted at the public expense for the private profit of multinational companies," said Mr Tim Rogers, a spokesman for the National Association of Agricultural Contractors. "Farmers will be denied a twelve hundred year old service that currently accounts for up to one third of the cereal seed sown each year."

MARKET REPORT

Coffee traders cautious ahead of producer meeting

London COFFEE futures ended higher yesterday, but light volume indicated caution ahead of a meeting of Brazil's and Colombia's most senior coffee officials. A trader said the market was unlikely to be sold ahead of the meeting as any public comments were likely to be bullish.

The July contract was last traded at \$3,068 a tonne, up \$21, after touching \$3,090.

A steep decline in London Metal Exchange ALUMINIUM prices was reversed during after hours trading. Underlying investment fund interest, short-covering, and solid nearby fundamentals helped the three months price to rally from below \$1,860 a tonne to \$1,879, down \$27.50.

Compiled from Reuters

India set for record harvest

By Mark Nicholson in New Delhi

Indian foodgrain production is set for another record year in 1994-95, according to agriculture ministry figures. The combined harvest of rice, wheat, cereals and pulses is seen at 186.3m tonnes, 4m above the 1993-94 record.

A seventh successive good monsoon in 1994, which had the second highest June-September rainfall in the past decade, helped output of rice and wheat to record levels of 81m tonnes and 60m tonnes, rises of 2.5m tonnes and 1.6m tonnes respectively on the preceding year.

Mr J.C. Pant, India's agriculture secretary, who presented the figures this week to a national agricultural conference in New Delhi, said most staple crops had posted records, while output of commercial crops also improved.

Total oilseed production rose by 900,000 to a record 22.3m tonnes, despite a 1m tonne fall in soyabean production to 3.6m tonnes – a result of excessive rains in the main cropping regions. Sugar-cane production rebounded from three years of declining output to rise by 23m tonnes to 250m, just below the 1991-92 record of 254m tonnes. The cotton crop is also set for a record, with output expected to rise by 900,000 bales to 11.6m.

Ukranians get better deal at bring-and-buy farm shop

James Harding reports on the former communist country's first private integrated agriservice centre

Across the road from the feedmill built just seven years ago in Myronivka, south of Kiev, construction begins this month on another one.

The new mill, with little apparently to distinguish it from the defunct plant next door, may not look like much, but as part of a \$20m foreign investment to create Ukraine's first private integrated agriservice centre, it promises to address the most urgent problem facing agriculture in the former Soviet Union: the disintegration of the farmers' market.

Since the collapse of communism, the disappearance of a reliable buyer of farm produce and supplier of inputs has been principally responsible for bringing the agricultural sector to its knees. The Myronivka centre, promising local farmers world prices for their produce and a competitive source for agricultural inputs bartered for a share of the season's harvest, aims to fill that gap.

When the agriservice centre is completed at the end of 1996, its only competitor will be the state-owned agro-industrial complexes, renowned for their occasional payments and eclectic range of inputs.

"We will pay our customers and not just tell them that we're going to pay them," says Mr David Sweere, president of Kiev-Atlantic, which has launched the project.

"And we will pay them at world market prices, not 40 per cent below."

A reliable buyer paying a decent rate for produce, coupled with access to a full range of inputs paid for from future output, rather than cash, is forecast to boost local productivity.

Ukraine has imported grain this year, but with its exceptionally fertile soil and enormous acreage of arable land is considered a natural exporter of agricultural produce.

"Given the freedom to buy and sell in the world market, along with the chance to use western technologies, Ukrainian farmers can become some of the best in the world," says Mr Sweere.

Mr Jonathan Roberts of the European Bank for Reconstruction and Development, which is supporting the project with

'We will pay our customers and not just tell them that we're going to pay them. And we will pay them at world market prices, not 40 per cent below.'

\$3m equity and \$3.9m debt financing, foresees "the quickly realisable potential for two to threefold increases in farmers' output".

For foreign investors, Myronivka signals a belief in profit-making opportunities in Ukrainian agriculture.

As well as \$5m from Mr Sweere's Minneapolis-based company, \$2m of which he has made in the last two years trading inputs and produce in Ukraine, the project has financial support from W. Nielson "Thor", the German commodities trading company, a debt guarantee from the Dutch government and an equity stake from a group of recently privatised local Ukrainian farms. For the EBRD, it is their first fully private project in Ukraine.

Thanks to reasonable margins in inputs, as western companies eager to enter former Soviet markets discount their seed, agrochemicals and machinery, and the prospect of added value on increasing volumes of produce, Mr Sweere is expecting a 20 to 25 per cent rate of return.

"This is a virtuous circle. The more inputs we sell, the more outputs we get, the more we process, the more we can sell on world markets, the more we have to put into inputs," says Mr Sweere. The centre's income will be driven by a 50,000-tonne per year oil seed processing plant for rape, linseed and sunflowers with a view to using the meals left from the processing for livestock feed and the oil to be refined for human consumption.

The potential success of the Myronivka project was the focus of much attention at a gathering in Kiev this week of central and eastern European agriculture ministers and western potential agribusiness investors.

Government ministers hope that it will reverse the local decline in output. Cautious businessmen see it as a vehicle for getting their products, particularly seeds, pesticides, tractors and combines, into the market.

"This is a one-stop shop for farmers, making our products easily available, but also safe in a guarded warehouse," said one western company looking at the possibility of selling agricultural machinery through Myronivka.

Even those not directly involved with the project agreed that the installation of a commercial agricultural market was critical.

While politicians remain embroiled in the debate over land reform and privatisations, as one US department of agriculture official put it, "all you have to do to keep farmers on the land is give them something to plant and pay them when they produce".

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Cash	3 mths
Close	1835-36	1859-60
Previous	1894-5	1908-9
High/low	1857/1855	1910/1858
AM Official	1855-55.5	1882.5-83.0
Kerb close		1879-80
Open int.	214,448	
Total daily turnover	75,332	

■ ALUMINIUM ALLOY (\$ per tonne)

	Cash	3 mths
Close	1795-805	1805-15
Previous	1825-30	1830-35
High/low		1835/1820
AM Official	1815-25	1825-30
Kerb close		1810-20
Open int.	2,793	
Total daily turnover	910	

■ LEAD (\$ per tonne)

	Cash	3 mths
Close	597-98	610-12
Previous	603-4	615-7
High/low		622/610
AM Official	606-7	617-18
Kerb close		614-5
Open int.	38,578	
Total daily turnover	6,449	

■ NICKEL (\$ per tonne)

	Cash	3 mths
Close	7590-600	7730-40
Previous	7695-705	7835-40
High/low	7630	7850/7710
AM Official	7630-35	7770-75
Kerb close		7730-40
Open int.	52,741	
Total daily turnover	16,192	

■ TIN (\$ per tonne)

	Cash	3 mths
Close	5800-10	5840-50
Previous	5845-55	5880-90
High/low		5915/5850
AM Official	5845-55	5880-85
Kerb close		5850-60
Open int.	20,287	
Total daily turnover	3,827	

■ ZINC, special high grade (\$ per tonne)

	Cash	3 mths
Close	1045-6	1067-8
Previous	1060-1	1082-3
High/low		1084/1066
AM Official	1054-55	1077.5-78.0
Kerb close		1068-9
Open int.	95,798	
Total daily turnover	13,037	

■ COPPER, grade A (\$ per tonne)

	Cash	3 mths
Close	2932-3	2910-11
Previous	2950-51	2920-21
High/low	2948/2946	2926/2908
AM Official	2948-49	2918-18.5
Kerb close		2917-8
Open int.	229,104	
Total daily turnover	85,028	

■ LME AM Official £/\$ rate: 1.6075

LME Closing £/\$ rate: 1.6085

Spot:1.6052 3 mths:1.6048 6 mths:1.6017 9 mths:1.5984

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Apr	138.10	-0.85	138.50	137.60	1,262	306
May	136.55	-0.70	137.30	135.80	28,496	6,290
Jun	134.30	-0.70	135.00	134.00	938	27
Jul	132.45	-0.70	133.00	131.75	7,829	1,065
Aug	130.60	-0.70	-	-	385	13
Sep	128.75	-0.70	129.50	128.00	3,689	158
Total					49,137	8,176

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	\$ price	£ equiv	SFr equiv
Close	393.80-394.20		
Opening	394.30-394.70		
Morning fix	393.75	244.889	442.614
Afternoon fix	393.40	244.500	443.165
Day's High	394.50-394.90		
Day's Low	392.20-392.60		
Previous close	392.10-392.50		

Loco Ldn Mean Gold Lending Rates (Vs US\$)

1 month	4.81	6 months	5.06
2 months	4.90	12 months	5.26
3 months	4.93		

Silver Fix	p/troy oz.	US cts equiv.
Spot	333.85	536.50
3 months	338.40	543.35
6 months	344.00	551.50
1 year	357.05	569.75

Gold Coins	\$ price	£ equiv.
Krugerrand	397-400	246-249
Maple Leaf	405.10-407.60	
New Sovereign	82-85	51-54

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	393.7	-1.0	395.7	393.5	1,455	189
May	395.2	-0.7	-	-	148	110
Jun	398.5	-0.7	401.2	395.3	97,477	38,030
Aug	399.8	-0.7	401.2	399.4	23,235	1,652
Oct	403.3	-0.7	403.4	403.0	6,740	115
Dec	407.0	-0.7	408.7	406.3	14,718	788
Total					190,080	40,224

■ PLATINUM NYMEX (50 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	452.5	-8.1	454.4	448.0	305	103
Jul	455.2	-8.9	463.5	446.0	18,678	6,614
Oct	457.7	-9.4	461.0	450.0	2,275	380
Jan	460.3	-9.8	461.0	460.3	738	177
Total					22,026	7,274

■ PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	175.90	-1.50	177.00	174.50	6,610	787
Sep	177.40	-1.50	178.75	177.40	844	89
Dec	178.65	-1.50	-	-	160	5
Mar	168.50	-	-	-	-	-
Total					7,634	881

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	540.8	+1.6	-	-	-	-
May	542.0	+1.5	547.5	532.0	53,137	21,709
Jul	548.0	+1.5	551.0	538.0	-	-
Sep	553.5	+1.5	558.0	545.0	23,344	4,109
Dec	562.5	+1.5	566.0	553.0	12,146	339
Jan	565.6	+1.5	-	-	17,138	437
Total					131,667	26,784

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. \$/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	19.49	-0.07	19.61	19.42	81,658	57,100
Jun	19.31	-0.04	19.40	19.25	69,262	37,022
Jul	19.08	-0.04	19.18	19.04	44,929	15,343
Aug	18.85	-0.04	18.89	18.81	21,115	9,947
Sep	18.66	-0.06	18.70	18.66	21,410	4,670
Oct	18.53	-0.06	18.53	18.52	11,647	2,167
Total					366,747	141,080

■ CRUDE OIL IPE (\$/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	17.82	-0.05	18.02	17.90	40,908	32,654
Jun	17.62	-0.05	17.71	17.61	53,858	30,144
Jul	17.39	-0.06	17.47	17.38	16,742	5,151
Aug	17.22	-0.04	17.32	17.20	11,694	1,141
Sep	17.09	-0.05	17.18	17.08	5,304	710
Oct	17.01	-0.08	17.07	17.01	4,076	380
Total					154,140	80,303

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	48.05	+0.04	48.45	47.80	31,514	13,971
Jun	48.40	+0.10	48.70	48.15	19,513	8,284
Jul	48.75	+0.05	48.80	48.65	15,927	3,112
Aug	49.25	-0.05	49.40	49.10	8,250	1,364
Sep	50.50	+0.35	50.50	50.50	4,623	282
Oct	51.18	+0.10	-	-	3,843	83
Total					118,082	30,567

■ GAS OIL IPE (\$/tonne)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	155.75	+1.50	156.75	154.75	22,913	8,743
May	154.00	+1.75	154.25	152.75	27,872	7,108
Jun	153.00	+1.50	153.00	152.00	19,210	4,484
Jul	153.50	+1.25	153.50	152.50	8,662	1,771
Aug	154.75	+1.25	154.75	154.00	2,881	430
Sep	156.50	+1.00	156.75	155.75	3,726	480
Total					182,137	22,913

■ NATURAL GAS NYMEX (10,000 mmBtu.; \$/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
May	1.640	-0.014	1.675	1.635	30,950	12,279
Jun	1.720	-0.006	1.740	1.715	16,548	5,579
Jul	1.750	-0.011	1.765	1.750	15,500	2,837
Aug	1.770	-0.007	1.785	1.765	13,472	1,637
Sep	1.780	-0.010	1.790	1.780	13,179	989
Oct	1.805	-0.012	1.820	1.805	10,025	829
Total					152,219	26,257

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	60.20	-0.28	60.70	59.90	28,235	24,980
Jun	59.35	-0.19	59.75	59.10	16,725	11,990
Jul	58.45	-0.02	58.70	58.30	8,998	5,104
Aug	57.40	-0.12	57.50	57.40	6,431	2,718
Sep	56.15	-0.02	56.20	56.15	2,809	674
Oct	55.05	+0.33	-	-	1,689	318
Total					88,016	46,264

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	115.75	+0.60	115.80	115.15	1,945	96
Jul	116.75	+0.60	115.50	116.00	591	68
Sep	102.50	+0.30	102.50	102.50	338	4
Nov	103.50	+0.25	103.65	103.50	2,561	184
Jan	105.55	+0.30	105.65	105.50	855	59
Mar	106.50	-	-	-	402	-
Total					6,737	423

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	348/6	-3/0	354/0	349/2	17,713	4,626
Jul	346/2	-1/6	349/6	345/6	26,877	15,289
Sep	351/4	-1/0	354/2	351/4	4,546	1,430
Dec	363/6	-1/4	365/4	363/2	3,585	970
Mar	368/0	-0/4	368/0	367/0	255	73
Jul	340/0	-0/4	341/0	340/0	31	16
Total					53,007	22,604

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	249/6	-1/0	250/2	249/2	101,947	14,531
Jul	258/4	-0/6	258/6	256/0	119,822	11,852
Sep	260/6	-0/2	261/0	259/6	21,761	1,015
Dec	264/6	-	265/0	263/6	104,448	11,432
Mar	271/2	-	271/4	270/2	10,679	938
May	275/4	-0/4	275/4	274/4	703	58
Total					369,161	40,426

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	108.90	-	109.00	108.90	153	18
Sep	101.60	+0.35	101.60	101.50	140	35
Nov	102.50	+0.55	-	-	543	-
Jan	104.50	+0.50	-	-	174	-
Total					1,116	53

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	580/0	-1/6	582/4	579/0	36,254	5,070
Jul	591/4	-1/2	593/4	590/2	51,039	10,794
Aug	595/4	-1/6	597/6	595/0	7,410	298
Sep	598/2	-1/4	600/6	598/0	4,223	286
Nov	606/6	-0/4	608/0	605/0	31,307	2,852
Jan	614/4	-0/4	615/2	613/0	2,108	77
Total					136,852	19,455

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
May	25.94	+0.26	25.97	25.68	28,186	5,171
Jul	25.55	+0.21	25.56	25.31	23,736	4,841
Aug	25.45	+0.20	25.45	25.28	8,813	767
Sep	25.35	+0.19	25.35	25.18	6,897	266
Oct	25.20	+0.14	25.20	25.06	6,531	359
Dec	25.06	+0.10	25.08	24.91	13,776	1,192
Total					86,892	12,686

■ SOYABEAN MEAL CBT (100 tons; \$/ton)

	Sett price	Day's change	High	Low	Open int	Vol
May	170.3	-1.2	171.7	169.7	32,333	4,928
Jul	175.0	-1.3	176.5	174.6	35,019	7,106
Aug	177.2	-0.9	178.3	176.7	8,377	878
Sep	179.2	-0.3	180.0	178.5	5,831	230
Oct	180.4	-0.8	181.5	180.1	8,719	344
Dec	183.5	-0.3	184.0	182.7	11,677	1,654
Total					102,911	15,167

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	353.0	+6.0	354.0	346.0	193	39
Jun	250.0	-	-	-	-	-
Nov	105.0	-	-	-	-	-
Mar	250.0	-	-	-	-	-
Total					371	46

■ FREIGHT (BIFFEX) LCE (\$10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	2265	+40	2265	2235	854	71
May	2215	+25	2225	2205	1,097	127
Jun	2110	+27	2115	2100	49	42
Jul	1970	+2	1980	1966	1,096	82
Oct	1930	-	1945	1930	990	17
Jan	1878	+10	1880	1880	328	2
Total					4,354	321

	Close	Prev
BFI	2199	2196

Wool

Australian wool sales closed with the Eastern market indicator at 842 cents a kg., just one cent lower than a week before. On intervening days the market slipped back to 838 cents, and the individual categories fluctuated narrowly within the generally static market. The Easter recess means that no sales are being held during the next two weeks. The New Zealand market indicator fell away by 52 cents to 583 cents a kg. this week, but this weakness applied only after a North Island sale predominantly of second shear wool, with fleece wool little changed on a limited offering. The wool market therefore presented a mixed and uncertain pre-Easter impression, which is tending to keep wool textiles business down the processing line dull and highly competitive. Longer term confidence relates to limited supplies, low stocks or restricted stock offerings.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	934	-9	948	930	19,415	1,807
Jul	961	-4	972	958	18,384	2,784
Sep	982	-	989	979	15,633	1,504
Dec	1003	-1	1009	999	20,942	1,782
Mar	1024	-	1028	1019	25,426	579
May	1034	+4	1038	1034	8,160	151
Total					118,451	8,576

■ COCOA CSCE (10 tonnes; \$/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
May	1327	-11	1340	1319	28,682	6,048
Jul	1349	-12	1365	1344	19,141	2,831
Sep	1375	-10	1389	1371	10,400	343
Dec	1408	-8	1421	1405	8,340	241
Mar	1440	-4	1449	1440	5,684	-
May	1455	-4	-	-	4,634	-
Total					84,423	9,516

■ COCOA (ICCO) (SDR's/tonne)

Apr 5	Price	Prev. day
Daily	921.54	909.93

■ COFFEE LCE (\$/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	3117	+19	3139	3110	13,627	979
Jul	3089	+22	3090	3058	11,017	1,340
Sep	3026	+20	3045	3015	8,457	255
Nov	3000	+24	3005	2990	1,600	47
Jan	2980	+27	2980	2980	299	33
Mar	2960	+25	-	-	6	-
Total					35,006	2,648

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	166.80	-0.65	169.35	166.50	12,288	4,991
Jul	168.55	-0.50	171.00	168.25	10,299	1,617
Sep	169.50	-0.95	172.20	169.25	6,066	415
Dec	169.50	-1.00	172.40	169.50	5,819	207
Mar	169.50	-1.00	-	-	1,624	7
May	169.50	-1.00	-	-	51	-
Total					36,125	7,237

■ COFFEE (ICO) (US cents/pound)

Apr 5	Price	Prev. day
Comp. daily	158.34	158.38
15 day average	157.84	158.33

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.83	+0.01	14.84	14.83	1,061	359
Jul	15.15	-	-	-	2,360	-
Oct	12.56	-	-	-	-	-
Jan	13.26	-	-	-	2,000	-
Mar	11.95	-0.08	-	-	-	-
Total					5,421	359

■ WHITE SUGAR LCE (\$/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	367.8	+1.5	370.0	368.0	9,235	1,851
Aug	355.8	+1.3	358.0	353.5	8,706	1,032
Oct	327.3	+0.5	328.0	325.9	3,636	200
Dec	318.3	-0.4	318.9	317.1	1,402	499
Mar	314.9	-0.8	314.8	314.0	837	66
May	314.4	-0.8	-	-	238	-
Total					24,095	3,688

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	14.04	+0.16	14.08	13.93	47,009	12,129
Jul	12.74	+0.09	12.77	12.66	48,343	14,447
Oct	11.89	+0.14	11.95	11.85	35,771	4,408
Mar	11.52	+0.16	11.60	11.47	15,988	1,561
May	11.41	+0.21	11.45	11.40	4,001	208
Jul	11.16	+0.21	11.25	11.17	4,421	105
Total					154,273	32,898

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	102.22	+2.00	102.22	102.22	14,709	2,200
Jul	97.10	+2.00	97.10	96.60	17,741	2,254
Oct	84.85	+1.28	84.90	83.85	6,701	1,305
Dec	79.15	+0.95	79.20	78.35	25,097	3,508
Mar	80.20	+0.80	80.20	79.70	7,065	713
May	80.90	+0.70	80.70	80.90	2,304	342
Total						

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	103.50	-0.80	104.50	103.00	11,155	1,022
Jul	107.60	-0.60	108.50	107.20	6,432	377
Sep	111.55	-0.75	112.35	111.50	5,127	182
Nov	109.75	-0.55	110.70	109.50	2,058	10
Jan	111.50	-0.30	111.70	111.50	2,123	61
Mar	114.00	+0.20	-	-	412	21
Total					27,418	1,763

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Apr 6	Apr 5	month ago	year ago
2307.3	2305.9	2331.2	1818.6

■ CRB Futures (Base: 1967=100)

Apr 5	Apr 4	month ago	year ago
236.32	235.37	233.501	225.27

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	70.225	+0.050	70.375	69.925	22,448	5,075
Jun	64.125	-0.175	64.450	63.975	27,422	10,342
Aug	61.625	-0.200	62.000	61.600	11,410	4,157
Oct	62.825	-0.075	63.050	62.600	7,147	1,552
Dec	64.525	-	64.700	64.300	3,254	565
Feb	65.475	-	65.600	65.400	2,395	154
Total					74,954	21,891

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	38.700	+0.225	38.075	38.625	3,381	1,203
Jun	44.050	+0.200	44.500	43.800	13,110	2,994
Aug	43.175	-0.450	43.850	43.125	3,071	537
Oct	40.325	-0.350	41.000	40.300	3,488	284
Dec	41.000	-0.275	41.650	41.000	1,077	77
Feb	41.675	-0.050	42.050	41.650	364	11
Total					29,482	5,812

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	40.500	-0.275	41.650	40.400	3,712	1,433
Jul	40.800	-0.200	42.100	40.750	2,358	835
Aug	39.125	-0.075	40.650	39.075	785	75
Feb	51.650	-0.150	51.900	51.650	188	4
Mar	50.300	-0.275	50.300	50.300	18	9
Total					7,041	2,347

LONDON TRADED OPTIONS

Strike price \$ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1850	114	150	79	132
1900	89	128	104	158
1950	69	108	134	187
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
2900	91	78	60	138
2950	66	61	85	169
3000	47	46	115	203
■ COFFEE LCE	May	Jul	May	Jul
2950	188	264	21	145
3000	151	237	34	168
3050	117	212	50	193
■ COCOA LCE	May	Jul	May	Jul
925	22	63	13	27
950	11	49	27	38
975	5	37	46	51
■ BRENT CRUDE IPE	Jul	Oct	Jul	Oct
1650	112	108	20	50
1700	79	83	38	69
1750	51	60	58	106

LONDON SPOT MARKETS

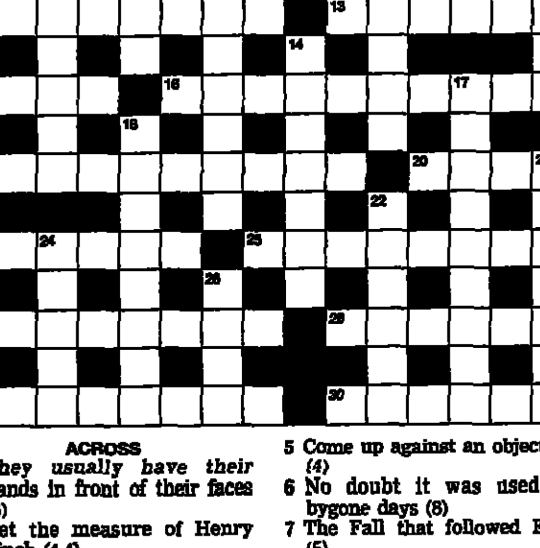
■ CRUDE OIL FOB (per barrel/May)		+or-
Dubai	\$16.95-7.10q	+0.080
Brent Blend (dated)	\$18.48-8.50	+0.100
Brent Blend (May)	\$17.93-7.95q	+0.100
W.T.I. (1pm est)	\$19.47-9.49q	+0.100
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	\$184-186	+2
Gas Oil	\$156-157	+1.5
Heavy Fuel Oil	\$98-99	+1
Naphtha	\$166-167	
Jet fuel	\$175-177	+1.5
Diesel	\$157-159	+2.5
Petroleum Argus, Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)♣	\$394.00	+1.70
Silver (per troy oz)♣	540.50c	+8.00
Platinum (per troy oz.)	\$451.75	-7.25
Palladium (per troy oz.)	\$173.00	-5.25
Copper (US prod.)	144.00	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	14.38m	-0.12
Tin (New York)	278.50c	-1.00
Cattle (live weight)†	124.28p	+0.30*
Sheep (live weight)†♠	134.94p	+5.03*
Pigs (live weight)†	91.66p	-0.07*
Lon. day sugar (raw)	\$356.4	-8.4
Lon. day sugar (wte)	\$365.0	-3.4
Tate & Lyle export	£336.0	-3.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (May)♥	121.00p	-1.00
Rubber (Jun)♥	121.00p	-1.00
Rubber (KL RSS No1)	472.0m	-1.5
Coconut Oil (Phil)§	\$630.0u	+5.0
Palm Oil (Malay.)§	\$647.5z	-2.5
Copra (Phil)§	\$412.0u	
Soyabeans (US)	£171.0u	+1.0
Cotton Outlook'A' index	109.10c	
Wooltops (64s Super)	522p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Apr/May z Apr. y Mar/Apr. q May ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,731 Set by DANTE



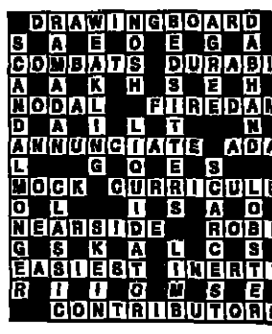
ACROSS

1 They usually have their hands in front of their faces (6)
4 Get the measure of Henry Finch (4-4)
9 Qualifies in special subjects for officers (6)
10 Completely wrong direction (8)
12 A dog to the Spanish, a bird to us (8)
13 Barmaid argued about a pound (6)
15 Tool turned to burglarous purpose (4)
16 Generous daily help, albeit disorganised (10)
19 Punishment as part of learning (10)
20 Knock back some gin (4)
23 It's full of holes yet still holds water (6)
25 Bun available in Gibraltar? (4,4)
27 Profit from hobby (8)
28 Fighting is common on the street here (6)
29 Outcome of the grain harvest (6,2)
30 Cash difference(6)

DOWN

1 Funny business with new claim (7)
2 They may be conscientious in their protests (9)
3 A bit of a nut, the officer, we hear (6)
5 Come up against an objection (4)
6 No doubt it was used in bygone days (8)
7 The Fall that followed Eve? (5)
8 Swift seller (3,4)
11 Butler's narrow point of view? (7)
14 It may appear smart on top of a window (7)
17 Savage ban is repeatedly put on a Scotsman (9)
18 Woman's habit is to delay, that is the end of it (8)
19 Handsome, and in a hurry (7)
21 Go to the front (7)
22 Draw results in little play (6)
24 Two pairs of braces (5)
26 Drink it up as a starter (4)

Solution 8,730



Treasuries flat ahead of jobs data for March

By Lisa Bransten in New York and Graham Bowley in London

US Treasury prices were mostly flat in quiet trading as investors awaited today's release of March jobs figures, paying little heed to unsurprising data released yesterday.

Near midday, the 30-year Treasury was up $\frac{1}{16}$ at 103¼ to yield 7.359 per cent. At the short end of the market, the two-year note was also up $\frac{1}{16}$ at 99$\frac{15}{32}$, yielding 6.641 per cent.

Early in the session, data showing weakness in the labour market and the home building sector helped bonds edge modestly higher, but the focus on the market was clearly on today's jobs figures.

According to the Labour Department, the number of people filing first-time claims for unemployment benefits grew by 3,000 to 341,000 for the week ended April 1, its highest level since last July. On the housing front, the number of homes completed in February dropped by 9.5 per cent from January, the biggest fall in more than three years.

The dollar offered little support to the market, however, and bonds proved unable to hold on to their early morning gains.

The US currency continued its slide against the yen and, although it did edge up against the D-Mark, by midday it had retreated from its session highs against the German currency. Near noon, the dollar was changing hands at Y85.40 down from Y86.04 late Wednesday and at DM1.3750 against DM1.3725.

■ European government bond markets fell back slightly yesterday in thin trading conditions as the rally seen in recent sessions petered out.

German government bonds rose in early trading, with 10-year yields briefly touching the key 7 per cent level and the June bund futures contract on Liffe reaching a high of 93.03.

But both cash and futures markets fell back later, in spite of mildly supportive employment data, which was slightly weaker than expected.

GOVERNMENT BONDS

Bunds had assumed a better tone since the Bundesbank cut official interest rates last week but yesterday traders expressed caution ahead of key US non-farm payroll data due today. The data are likely to influence the direction of all European markets over the next few days.

"Investors are a little distrustful of the rally in European government bonds," said Mr Julian Callow, an international economist at Kleinwort Benson.

In late trading, the June bund futures contract was down 0.18 at 92.71. The yield on the benchmark bund settled at 7.04 per cent. Traders reported some investment flows into two-year denominations, causing a slight steepening of the yield curve.

■ UK government bonds followed bunds lower, in spite of a slowdown in manufacturing output. Official figures showed that output in the three months to February was unchanged on the previous three months.

The long gilt future on Liffe tested levels close to 104, before falling back to settle at 103¼, down $\frac{5}{16}$ on the day. The yield spread over bunds settled at around 155 basis points.

Mr Callow said that investors should be concerned about next week's producer price data, which could show a further rise in prices.

"Political uncertainty and the inflation risks imply that gilts are expensive at current levels," said Mr Callow. "We have to wait for the spread to move out to 160 basis points or higher before investors begin to buy again."

■ A 25 basis point cut in French short-term interest rates by the Bank of France had little impact on the French government bond market, which settled lower.

Weak demand for an auction of the new 10-year benchmark government bond meant that the Bank of France issued only FFr18bn of the stock, at the lower end of its target range.

"Yields are currently too low for new final investors to come in to the market, while the forthcoming presidential elections are deterring foreign investors," said Mr Dominique Barbet, a bond strategist at Paribas in Paris.

The June futures contract on Matif fell 0.14 to 113.26.

■ A cut in Belgian short-term interest rate also had little positive impact.

However, the Belgian market has rallied substantially in recent days, with the yield spread over bunds narrowing from around 90 basis points to 78 basis points, due largely to the resilience of the Belgian franc.

■ Continued disappointment that the Swedish government's budget package launched this week is not sufficient to tackle the country's fiscal problems continued to depress Swedish government bonds.

William Lines launches IPO

By Antonia Sharpe

There were encouraging signs for emerging market issuers in the primary equity market yesterday when William Lines, the Philippines' largest shipping company, finally launched its international share offering.

William Lines had postponed the issue at the end of January because of lack of investor interest. By the time conditions were more favourable, the lead manager, Baring Brothers, was unable to go ahead because of the collapse of the Barings group.

Yesterday, the new lead manager, Jardine Fleming, said William Lines would raise around $87.9m equivalent through the sale of 235.7m shares priced at 9.65 pesos (37 cents) each. This is significantly less than the $100m which William Lines had hoped to get in January.

"Deals for blue-chip companies in a reasonable size can be done, but the pricing has to be very realistic," said Mr Ian Hannam, a director at Jardine Fleming.

Of the total amount of shares on offer, around 65 per cent were placed internationally with about 12 large institutions based in the US, UK and Hong Kong.

The domestic offer opens on April 17 and there is a possible clawback for the domestic tranche of up to 26.4 per cent of the international tranche. Final allocations will be made on April 27.

Fleming is also lead-managing a convertible bond issue due 2005 for up to $100m for Loxley, a Thai conglomerate with trading and telecoms interests. The bonds, which are puttable after five years, are likely to have a coupon of between 3 and 3.5 per cent and will represent up to 15 per cent of Loxley's share capital.

Also in Asia, the $425m rights issue of ordinary shares with warrants for Jardine Strategic has been completed and the rights will start trading in Singapore on Tuesday.

Austria leads the rush in busy day for eurobond issuance

By Richard Lapper

European banks, corporates and sovereign borrowers raised more than $2.8bn in 16 separate deals in a busy day on the eurobond market. Activity was focused in the D-Mark and other strong European currency sectors, with the highlight a DM1bn issue for the Republic of Austria.

Dresdner Bank brought the 12-year Austria issue at 25 basis points over the 7⅜ 10-year bund maturing in 2005. Dealers said the yield spread widened widened marginally – to 27 basis points – when the bonds were freed to trade.

However there was consensus on the market about the success of the deal, with European corporates and German institutional investors keen buyers.

Dealers said the positive response to the World Bank's DM3bn issue earlier this week had helped crystallise demand in the sector.

Taking into account two other DM issues yesterday, DM issuance over the week totals more than DM7bn.

INTERNATIONAL BONDS

The World Bank issue, launched at a spread of 14 basis points over on Monday, has subsequently narrowed by one basis point. "The World Bank deal sold really easily and helped spot additional demand for this segment," said one trader.

In addition, investors appear to be shifting towards the longer end of the German yield curve, in the expectation of a reduction of yields in the 10-year area. Some traders argued that the markets had reappraised their initially negative view of the Bundesbank's decision last week to cut interest rates.

"Everyone is very bullish. People are all positioning for curve flattening trades," said Mr Paul Hearn, a managing director at J. P. Morgan in London. "The basic message is that the 10-year sector in marks is still hot," added another syndicate manager.

"I expect some more activity by borrowers who have outright demand for fixed-rate DM," said a syndicate manager at Dresdner Bank.

Other dealers argued that the weakness of the US dollar had helped bolster investor sentiment towards DM and other Swiss Franc issues.

It is understood that Austria will retain the proceeds in marks, rather than swap the proceeds. The majority of a clutch of guilder, Luxembourg and Swiss franc issues all appeared to be targeted at retail investors.

Meanwhile Hambros brought the first sovereign Australian dollar deal to the market for more than five years, launching a three-year A$100m bond for the Kingdom of Sweden at 8¼ basis points over the equivalent Australian paper. The deal, also targeted at retail investors, was the first in Australian dollars for nearly a month.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Student Loan Mrktng.Assoc.(a)	100	7.20	100.28R	Nov.2000	0.25R	-	LTCB International
D-MARKS							
Republic of Austria	1bn	7.25	99.85R	May.2007	0.35R	+25(7⅜%-05)	Dresdner Bank
State of Sachsen Anhalt	800	7.25	100.625	Apr.2005	0.875	-	Bayer.Vereinsbank/ Goldman
Deutsche Ausgleichsbank	250	6.75	101.84	Apr.2001	2.125	-	Trinkaus & Burkhardt
SWISS FRANCS							
GECC	300	5.00	103.50	May.2002	2.50	-	UBS
Oesterreichische Kontrollbank	200	4.75	102.125	May.2000	2.00	-	Bank von Ernst & Cie.
Crédit Local de France	125	4.75	102.375	May.2002	2.50	-	Swiss Bank Corp.
BL/A	100	5.00	103.00	May.2001	2.25	-	Credit Suisse
Landes-Hypothekenbank Tirol	100	5.00	103.05	May.2000	2.00	-	Credit Suisse
GUILDER							
Eurofima(b)	225	7.00	100.95R	Jul.2001	0.20R	+10(6¾%-01)	ABN Amro Hoare Govett
GECC	250	3.50	87.375R	May.2000	0.25R	+3(9%-00)	ABN Amro Hoare Govett
LUXEMBOURG FRANCS							
Caisse Francaise de Dev'ment(c)	2.5bn	7.75	102.70	Aug.2004	2.00	-	Crédit Européen
Bacob Overseas(c)	2bn	7.50	102.25	Nov.2001	1.875	-	Bacob Bank Luxembourg
Landwirtschaftliche Rentenbank	3bn	zero	64.07	Dec.2001	1.375	-	BGL
AUSTRALIAN DOLLARS							
Kingdom of Sweden	100	9.25	100.85	May.1998	1.50	-	Hambros Bank
ECUS							
Samsung Electronics Co.‡	80	(d)	99.825R	May.2000	0.25R	-	UBS

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Short 1st coupon. b) Fungible with Fl 400m. Plus 294 days accrued. c) Long 1st coupon. d) 6-mth Libor +¼%.

Sumitomo Bank forms AAA derivatives vehicle

By Richard Lapper

Sumitomo Bank, the big Japanese bank, is to launch a triple-A rated special purpose vehicle to act as counterparty in its derivatives transactions. The new subsidiary will be established next week with a capitalisation of $300m, making it one of the biggest of 11 similar vehicles formed by banks and securities houses in the last few years.

The vehicles are set up to act as intermediaries or guarantors in over-the-counter derivatives transactions. They achieve the highest credit rating because they are highly capitalised and legally separate from their parent company.

In the derivatives market Sumitomo specialises in offering interest rate and currency swaps to European corporate and sovereign treasurers.

Mr Chris Pearce, managing director Sumitomo Bank Capital Markets, said: "We set it up to give credit certainty to our customers. We hope to recapture some of the customers who have left us because of a recent downgrade."

Sumitomo Bank's credit rating was downgraded last year from AA– to A+. The bank had lost business because a number of its customers impose internal rules restricting their ability to deal with counterparties which have credit ratings of less than AA.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	95.1900	+0.350	9.79	10.12	10.08
Austria		7.500	01/05	100.9000	+0.180	7.38	7.43	7.61
Belgium		6.500	03/05	90.9100	+0.060	7.85	8.02	8.22
Canada *		9.000	12/04	101.5500	+0.150	8.76	8.80	8.67
Denmark		7.000	12/04	88.5500	–0.100	8.80	8.80	8.77
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	98.0600	–0.070	7.77	7.78	7.94
Germany Bund		7.375	01/05	102.2300	–0.090	7.04	7.18	7.34
Ireland		8.250	10/04	82.9000	–0.050	8.82†	8.81	8.80
Italy		9.500	01/05	81.0300	+0.210	12.98	12.97	12.68
Japan	No 119	4.800	06/99	108.2460	–	2.72	3.11	3.80
	No 174	4.600	09/04	108.1880	+0.535	3.45	3.67	4.35
Netherlands		7.750	03/05	103.8800	–0.070	7.18	7.31	7.51
Portugal		11.875	02/05	97.5800	–0.920	12.30	12.15	11.65
Spain		10.000	02/05	88.7100	+0.350	11.58	12.13	11.80
Sweden		6.000	02/05	68.1920	–0.080	11.58	11.33	10.72
UK Gilts		6.000	08/99	92–00	-	8.24	8.29	8.55
		8.500	12/05	100–19	–7/32	8.41	8.43	8.65
		9.000	10/08	104–21	–6/32	8.42	8.45	8.63
US Treasury *		7.500	02/05	102–27	+2/32	7.09	7.13	7.28
		7.625	02/25	103–03	–3/32	7.37	7.38	7.51
ECU (French Govt)		6.000	04/04	86.2700	+0.070	8.21	8.32	8.42

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	9	One month	5.77	Two year	6.67
Broker loan rate	6½	Two month	5.78	Three year	6.77
Fed.funds	6	Three month	5.85	Five year	6.93
Fed.funds at intervention	-	Six month	6.10	10-year	7.09
		One year	6.34	30-year	7.36

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	113.14	113.26	-0.14	113.44	113.14	141,747	123,287
Sep	112.56	112.64	-0.16	112.74	112.56	3,135	6,957
Dec	112.46	112.50	-0.20	112.46	112.48	2	1,083

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
111	-	2.60	-	0.17	0.35	1.11
112	-	1.80	-	0.32	0.58	-
113	0.89	1.17	1.54	0.62	0.91	1.87
114	0.41	0.65	-	-	-	-
115	0.15	0.31	0.72	-	-	-

Est. vol. total, Calls 19,876 Puts 14,401. Previous day's open int., Calls 141,645 Puts 199,296.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.75	92.73	-0.11	93.03	92.69	116689	165597
Sep	92.40	92.20	-0.10	92.40	92.21	2668	2338

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
9250	0.56	0.87	0.77	1.04	0.33	0.64	1.07	1.34
9300	0.31	0.62	0.57	0.82	0.58	0.89	1.37	1.62
9350	0.16	0.43	0.41	0.64	0.93	1.20	1.71	1.94

Est. vol. total, Calls 12460 Puts 10858. Previous day's open int., Calls 148692 Puts 133848

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.60	94.10	0.24	94.68	93.53	39791	47534
Sep		93.45	0.24			0	137

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9400	1.53	2.34	1.43	2.88
9450	1.28	2.12	1.68	3.17
9500	1.04	1.91	1.94	3.46

Est. vol. total, Calls 739 Puts 3693. Previous day's open int., Calls 43064 Puts 32489

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	82.85	83.13	+0.37	83.39	82.64	62,195	48,063

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	103-17	103-16	-0-08	103-22	103-13	32620	86431
Sep		103-06	-0-08			0	105

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
103	0-60	1-28	1-35	2-02	0-28	0-60	1-23	1-54
104	0-27	0-58	1-08	1-36	0-59	1-28	1-58	2-24
105	0-09	0-33	0-47	1-11	1-41	2-01	2-35	2-63

Est. vol. total, Calls 541 Puts 1663. Previous day's open int., Calls 38298 Puts 47734

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	83.22	83.32	-	83.44	83.22	3,996	8,151

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	104-19	104-25	+0-06	104-28	104-18	282,672	329,269
Sep	104-08	104-12	+0-06	104-14	104-06	354	17,269
Dec	103-29	103-29	-	103-29	103-29	168	1,555

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	115.48	-	-	115.73	115.41	3683	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Apr 6	Day's change %	Wed Apr 5	Accrued interest	xd adj. ytd		Low coupon yield Apr 6	Apr 5	Yr. ago	Medium coupon yield Apr 6	Apr 5	Yr. ago	High coupon yield Apr 6	Apr 5	Yr. ago
1 Up to 5 years (23)	119.95	–0.01	119.96	1.90	2.89	5 yrs	8.31	8.30	7.16	8.38	8.37	7.40	8.51	8.50	7.54
2 5-15 years (21)	141.18	–0.07	141.28	2.00	3.58	15 yrs	8.35	8.34	7.65	8.43	8.41	7.74	8.64	8.62	8.02
3 Over 15 years (9)	157.93	–0.14	158.16	1.94	4.05	20 yrs	8.33	8.32	7.74	8.43	8.41	7.74	8.59	8.57	7.94
4 Irredeemables (6)	182.42	+0.49	181.54	3.63	1.47	Irred.†	8.36	8.40	7.89						
5 All stocks (59)	138.01	–0.06	138.09	1.99	3.41										

Index-linked							Inflation 5% Apr 6	Apr 5	Yr. ago	Inflation 10% Apr 6	Apr 5	Yr. ago
6 Up to 5 years (2)	191.11	+0.09	190.95	0.05	2.57	Up to 5 yrs	3.37	3.40	3.28	1.98	2.01	2.37
7 Over 5 years (11)	177.52	+0.18	177.19	0.86	1.28	Over 5 yrs	3.61	3.63	3.42	3.63	3.64	3.24
8 All stocks (13)	178.02	+0.17	177.71	0.80	1.40							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 6	Apr 5	Apr 4	Apr 3	Mar 31	Yr ago	High*	Low*
Govt. Secs. (UK)	92.06	91.98	92.13	91.67	91.57	97.20	92.13	90.22
Fixed Interest	111.12	111.02	110.84	110.63	110.67	117.27	111.12	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Apr 5	Apr 4	Apr 3	Mar 31	Mar 30
Gilt Edged bargains	95.8	104.2	98.4	98.2	108.5
5-day average	101.0	103.9	101.9	101.7	99.6

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on April 6

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92⅞	93⅛	+⅛	7.71
Alberta Province 7⅝ 98	1000	101⅛	101⅜		7.24
Austria 8½ 00	400	104⅞	105¼		7.25
Baden-Wuertt L-Fin 8⅛ 00	1000	103¼	103⅜	+⅛	7.29
Bank Ned Gemeenten 7 99	1000	99⅝	100		7.09
United Kingdom 7⅛ 97	5500	103⅛	103¼	+⅛	5.78
Volkswagen Intl Fin 7 03	1000	97⅜	97⅞	+½	7.44
World Bank 0 15	2000	22⅛	22½	-⅛	7.56
World Bank 5⅞ 03	3000	91¾	91¾		7.19
World Bank 8¼ 00	1250	110⅞	111½		6.20
Abbey Natl Treasury 8 03 £	1000	93⅝	93⅞	-⅛	9.16
Alliance Leics 11⅜ 97 £	100	105½	105¾		8.38
British Land 8⅞ 23 £	150	89⅛	89½	-⅛	10.29
Denmark 6¾ 98 £	800	94⅞	95¼		8.53
EIB 8 03 £	1000	95⅛	95¼	-⅛	8.85
Halifax 10⅜ 97 £	100	103⅝	104		8.23

[illegible]

UK GILTS PRICES

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar stable as markets await payrolls report

The dollar yesterday enjoyed a respite from its recent pummelling on the foreign exchanges as traders took to the sidelines ahead of the US employment report today, *writes Philip Gawith.*

While the US currency managed to steer a fairly steady course in London and New York trading, it had earlier fallen to a fresh low against the yen of Y85.11 in Tokyo, despite central bank support on Wednesday from the Bank of Japan, the Bundesbank and the Federal Reserve.

The dollar finished in London at DM1.3763, from DM1.3835. Against the yen it closed at Y85.375 from Y86.5.

Elsewhere, the feature of foreign exchange market activity was the Swedish krona sinking to a record low against the D-Mark, of SKr5.4280, before recovering to finish in London at SKr5.37

In Europe the breathing space provided core European currencies by the Bundesbank cutting rates last week allowed France, Denmark and Belgium to trim their interest rates.

The Bank of France trimmed the 24-hour lending rate by one quarter of a point to 7.75 per cent, the Danish central bank reduced its key short term repo rate from 7.00 to 6.75 per cent, and the Belgian National Bank cut the central rate to 5 per cent from 5.25 percent.

Sterling had a steady day, closing at DM2.2136, from DM2.2184, and at $1.6085, from $1.6035. Political worries and the weakness of the dollar continue to act as a drag on the currency. At one stage the trade weighted index fell as low as 84.2, compared to the historic low of 83.9 reached in February 1993.

■ Pound in New York

Apr 6	Latest	Prev. close
£ spot	1.6070	1.6110
1 mth	1.6068	1.6108
3 mth	1.6057	1.6097
1 yr	1.5955	1.6000

■ There was little surprise at the cuts in European rates following the cut in German rates last week. The Bundesbank's move came as something of a surprise to the market because it had not previously shown concern at the strength of the D-Mark.

The perception that it did indeed care helped alleviate exchange rate tensions, especially in the core European currencies. The French franc has been the most obvious beneficiary, gaining around five centimes, to FFr3.48, from FFr3.53, since the Bundesbank's announcement.

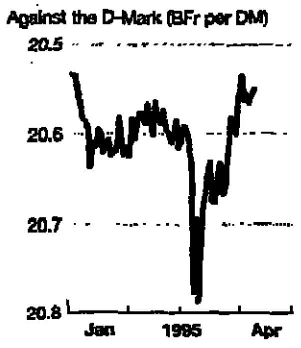
Mr Joe Prendergast, analyst at Paribas Capital Markets in London, said the recent delinking of the franc from the dollar (not the case a month ago) suggested that political uncertainty in the run-up to the French presidential elections later this month might have peaked.

Mr Steve Hannah, head of research at IBJ International in London, said the cut to European rates was "just a general easing of some exceptional pressures that were in place a month ago."

He said they did not represent an end to difficulties in the European area, with the the weakness of the Swedish krona and sterling evidence in point.

Belgian franc

Against the D-Mark (BFr per DM)



Source: FT Graphite

■ The market took a breather from dollar bashing, but sentiment remains overwhelmingly negative. Mr Prendergast said the market had reached a "satiation point" in terms of bearishness, but it is not positioned as short as it talks, and this is limiting the potential for a bounce back in the currency.

For some observers the extremity of opinions being voiced are beginning to sound like the signals of a turn in the market. One analyst said he would not be surprised if the dollar were to fall further, below Y80 and DM1.30, before bouncing sharply.

"The kind of emotion we are getting in the market is very typical of nearing the end of a big move," he said. Houses with little foreign exchange presence or expertise have started making calls on the dollar which make habitual bears look Panglossian.

If confirmation were needed that the dollar's problems need stronger medicine than mere intervention, it came from Mr John Laware, the Federal Reserve board governor who retires at the end of the month. Asked in New York what might turn the dollar around, he said: "I think fiscal policy is probably the answer...As long as we are generating huge deficits, the world is awash with dollars."

■ The Bank of England cleared a £450m money market shortage at established rates. This was taken to indicate that UK interest rates were probably unchanged after the monthly monetary meeting on Wednesday. Three month LIBOR remained at $6\frac{11}{16}$ per cent.

■ OTHER CURRENCIES

Apr 6	£	$
Hungary	189.981 - 190.225	118.140 - 118.240
Iran	2807.38 - 2814.17	1745.00 - 1750.00
Kuwait	0.4709 - 0.4714	0.2928 - 0.2930
Poland	3.7501 - 3.7646	2.3320 - 2.3400
Russia	7955.52 - 7956.88	4945.00 - 4948.00
U.A.E.	5.9059 - 5.9093	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Apr 6		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.5779	-0.0343	711 - 846	15.6475	15.4461	15.5573	1.6	15.5182	1.5	-	-	108.4
Belgium	(BFr)	45.5143	-0.1085	819 - 467	45.5710	45.1080	45.4893	1.2	45.3593	1.4	44.8293	1.5	111.0
Denmark	(DKr)	8.7323	-0.0229	264 - 382	8.7382	8.6784	8.7379	-0.8	8.7464	-0.6	8.7316	0.0	110.6
Finland	(FM)	6.6564	-0.0103	529 - 639	6.9100	6.6010	-	-	-	-	-	-	87.8
France	(FFr)	7.7165	-0.0348	124 - 205	7.7274	7.6710	7.7272	-1.7	7.7395	-1.2	7.6963	0.3	111.6
Germany	(DM)	2.2138	-0.0048	127 - 145	2.2172	2.1935	2.2102	1.6	2.2029	1.9	2.1602	2.4	114.1
Greece	(Dr)	361.202	-1.133	083 - 320	365.267	358.324	-	-	-	-	-	-	69.1
Ireland	(I£)	0.9932	-0.0037	923 - 940	0.9978	0.9923	0.993	0.2	0.9926	0.2	0.9932	0.0	96.1
Italy	(L)	2755.68	-3.14	488 - 668	2764.78	2746.07	2765.23	-4.2	2786.08	-4.4	2869.43	-4.1	63.8
Luxembourg	(LFr)	45.5143	-0.1085	819 - 467	45.5710	45.1060	45.4693	1.2	45.3593	1.4	44.8293	1.5	111.0
Netherlands	(Fl)	2.4787	-0.0051	766 - 808	2.4887	2.4581	2.4751	1.7	2.4675	1.8	2.4225	2.3	110.9
Norway	(NKr)	9.9410	+0.0073	348 - 472	9.9614	9.8520	9.9306	1.2	9.9103	1.2	9.8041	1.4	99.9
Portugal	(Es)	234.263	-0.73	075 - 450	234.641	232.445	235.098	-4.3	236.888	-4.5	-	-	96.8
Spain	(Pta)	202.037	-0.982	913 - 162	202.332	200.753	202.477	-2.6	203.492	-2.9	207.692	-2.8	78.0
Sweden	(SKr)	11.8936	+0.0416	831 - 040	11.9818	11.7800	11.8957	-0.2	11.8998	-0.2	11.92	-0.2	76.0
Switzerland	(SFr)	1.8139	-0.0061	131 - 147	1.8168	1.7944	1.8092	3.1	1.7994	3.2	1.7453	3.8	115.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.5
Ecu	-	1.2081	-0.0078	074 - 087	1.2113	1.2049	1.208	0.1	1.2082	0.0	1.203	0.4	-
SDR†	-	1.027800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6062	+0.0049	078 - 086	1.6143	1.6037	-	-	-	-	-	-	-
Brazil	(R$)	1.4398	-0.002	378 - 415	1.4415	1.4314	-	-	-	-	-	-	-
Canada	(C$)	2.2344	+0.0035	333 - 354	2.2507	2.2324	2.2378	-1.8	2.2435	-1.6	2.2689	-2.4	81.4
Mexico	(New Peso)	10.3987	-0.016	562 - 411	10.4038	10.3715	-	-	-	-	-	-	-
USA	($)	1.6085	+0.005	081 - 088	1.6146	1.6039	1.6082	0.2	1.6071	0.4	1.5967	0.7	88.6
Pacific/Middle East/Africa													
Australia	(A$)	2.1702	+0.0011	690 - 714	2.1714	2.1686	2.1729	-1.5	2.1772	-1.3	2.1968	-1.2	80.3
Hong Kong	(HK$)	12.4365	+0.0387	330 - 400	12.4841	12.4080	12.4359	0.1	12.4367	0.0	12.43	0.1	-
India	(Rs)	50.5375	+0.1395	104 - 646	50.7880	50.4030	-	-	-	-	-	-	-
Israel	(Shk)	4.7537	+0.0185	489 - 585	4.7793	4.7397	-	-	-	-	-	-	-
Japan	(Y)	137.321	-1.382	251 - 392	139.040	137.080	136.751	5.0	135.601	5.0	129.491	5.7	167.6
Malaysia	(M$)	4.0099	+0.0003	082 - 115	4.0273	3.9997	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4417	-0.0018	398 - 435	2.4435	2.4386	2.4476	-2.9	2.4586	-2.4	2.4724	-1.3	98.5
Philippines	(Peso)	41.5785	+0.0478	086 - 484	41.7484	41.4086	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0323	+0.0187	307 - 338	6.0552	6.0156	-	-	-	-	-	-	-
Singapore	(S$)	2.2806	+0.0046	597 - 615	2.2853	2.2554	-	-	-	-	-	-	-
South Africa	(R)	5.7740	+0.0094	716 - 764	5.7883	5.7668	-	-	-	-	-	-	-
South Korea	(Won)	1241.46	+4.14	113 - 183	1246.31	1236.05	-	-	-	-	-	-	-
Taiwan	(T$)	41.6347	+0.0543	176 - 518	41.7800	41.5250	-	-	-	-	-	-	-
Thailand	(Bt)	39.5518	+0.0575	271 - 765	39.6710	39.4880	-	-	-	-	-	-	-

†SDR rates per £ for Apr 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 6		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	9.6850	-0.0513	829 - 871	9.7125	9.5750	9.6735	1.4	9.6535	1.3	9.56	1.3	108.2
Belgium	(BFr)	28.2970	-0.155	830 - 110	28.3900	27.9600	28.3095	-0.5	28.262	0.5	28.172	0.4	110.5
Denmark	(DKr)	5.4290	-0.0311	265 - 315	5.4390	5.3847	5.433	-0.9	5.4405	-0.8	5.4655	-0.7	109.4
Finland	(FM)	4.2640	-0.0196	615 - 665	4.2946	4.2312	4.266	-0.6	4.2673	-0.3	4.2715	-0.2	86.8
France	(FFr)	4.7975	-0.0365	960 - 990	4.8110	4.7627	4.8048	-1.8	4.8155	-1.5	4.818	-0.4	110.6
Germany	(DM)	1.3763	-0.0072	760 - 765	1.3820	1.3600	1.3745	1.6	1.3709	1.6	1.3523	1.7	113.3
Greece	(Dr)	224.565	-1.4	540 - 590	226.800	222.070	226.885	-12.3	230.815	-11.1	248.065	-10.6	68.2
Ireland	(I£)	1.6195	+0.011	185 - 205	1.6214	1.6120	1.62	-0.4	1.6218	-0.5	1.6302	-0.7	-
Italy	(L)	1713.25	-7.25	300 - 350	1719.00	1704.70	1720.2	-4.9	1734.75	-5.0	1799.25	-5.0	63.1
Luxembourg	(LFr)	28.2970	-0.155	830 - 110	28.3900	27.9600	28.3085	-0.5	28.262	0.5	28.172	0.4	110.5
Netherlands	(Fl)	1.5410	-0.008	400 - 420	1.5498	1.5230	1.5391	1.5	1.5353	1.5	1.5165	1.6	110.2
Norway	(NKr)	6.1805	-0.0145	780 - 830	6.1974	6.1060	6.174	1.3	6.1643	1.1	6.138	0.7	98.9
Portugal	(Es)	145.645	-0.905	560 - 730	145.990	144.170	146.245	-4.9	147.395	-4.8	152.695	-4.8	97.0
Spain	(Pta)	125.610	-1	560 - 660	125.800	124.950	125.93	-3.1	126.73	-3.6	130.485	-3.9	77.4
Sweden	(SKr)	7.3944	+0.003	895 - 993	7.4360	7.3308	7.4088	-2.3	7.4404	-2.5	7.6094	-2.9	75.7
Switzerland	(SFr)	1.1278	-0.0072	275 - 280	1.1320	1.1127	1.1253	2.6	1.1199	2.8	1.0943	3.0	114.7
UK	(£)	1.6085	+0.005	081 - 088	1.6146	1.6039	1.6082	0.2	1.6071	0.4	1.5967	0.7	84.0
Ecu	-	1.3315	+0.0128	310 - 319	1.3376	1.3261	1.3311	0.3	1.3304	0.3	1.328	0.3	-
SDR†	-	0.63680	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.8950	-0.004	940 - 960	0.8960	0.8920	-	-	-	-	-	-	-
Canada	(C$)	1.3892	-0.0021	888 - 895	1.3990	1.3880	1.3918	-2.2	1.3962	-2.0	1.4087	-1.4	78.9
Mexico	(New Peso)	6.4650	-0.03	400 - 900	6.4900	6.4400	6.4672	-0.4	6.4704	-0.3	6.4753	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	90.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3492	-0.0034	488 - 497	1.3521	1.3446	1.351	-1.6	1.3558	-2.0	1.3804	-2.3	81.4
Hong Kong	(HK$)	7.7320	+0.0003	315 - 325	7.7325	7.7323	7.7309	0.2	7.735	-0.2	7.7705	-0.5	-
India	(Rs)	31.4200	-0.01	100 - 300	31.4600	31.4100	31.5	-3.1	31.745	-4.1	-	-	-
Israel	(Shk)	2.9555	+0.0025	531 - 578	2.9650	2.9435	-	-	-	-	-	-	-
Japan	(Y)	85.3750	-1.125	500 - 000	86.4000	85.1200	85.045	4.6	84.376	4.7	81.08	5.0	167.1
Malaysia	(M$)	2.4930	-0.0075	925 - 935	2.5020	2.4900	2.491	1.0	2.4888	0.7	2.483	0.4	-
New Zealand	(NZ$)	1.5179	-0.0058	172 - 188	1.5204	1.5126	1.5217	-3.0	1.5297	-3.1	1.563	-2.3	-
Philippines	(Peso)	25.8500	-0.05	500 - 500	25.9500	25.7500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	+0.0001	502 - 505	3.7505	3.7502	3.7513	-0.3	3.7534	-0.3	3.7654	-0.4	-
Singapore	(S$)	1.4055	-0.0014	052 - 057	1.4070	1.4033	1.4002	4.5	1.392	3.8	1.3655	2.8	-
South Africa	(R)	3.5898	-0.0052	890 - 905	3.5955	3.5820	3.6078	-6.0	3.6451	-6.2	3.839	-6.9	-
South Korea	(Won)	771.850	+0.2	800 - 900	772.500	771.700	774.85	-4.7	778.35	-3.4	796.85	-3.2	-
Taiwan	(T$)	25.8850	-0.046	800 - 900	25.9175	25.8800	25.905	-0.9	25.945	-0.9	-	-	-
Thailand	(Bt)	24.5900	-0.04	800 - 000	24.6100	24.5800	24.611	-1.0	24.6375	-0.8	24.725	-0.5	-

†SDR rate per $ for Apr.5. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 5. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

April 6	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	$5\frac{1}{8}$	$5\frac{3}{8}$	$5\frac{3}{8}$	$5\frac{9}{16}$	$5\frac{3}{4}$	7.40	4.00	-
week ago	$5\frac{1}{4}$	$5\frac{3}{8}$	$5\frac{5}{8}$	$5\frac{3}{4}$	$6\frac{1}{8}$	7.40	4.00	-
France	$7\frac{3}{4}$	$7\frac{5}{8}$	$7\frac{1}{2}$	$7\frac{3}{8}$	$7\frac{3}{8}$	5.00	-	8.00
week ago	$7\frac{13}{16}$	$7\frac{7}{8}$	$7\frac{1}{2}$	$7\frac{1}{4}$	$7\frac{1}{8}$	5.00	-	8.00
Germany	4.53	4.60	4.68	4.70	4.95	6.00	4.00	4.85
week ago	4.59	4.60	4.74	4.82	5.08	6.00	4.00	4.85
Ireland	$5\frac{1}{4}$	$6\frac{3}{8}$	7	$7\frac{1}{4}$	$7\frac{3}{8}$	-	-	6.25
week ago	$5\frac{1}{4}$	$6\frac{3}{8}$	$5\frac{7}{8}$	$7\frac{1}{4}$	$7\frac{1}{2}$	-	-	6.25
Italy	10	$10\frac{3}{4}$	11	$11\frac{1}{4}$	$11\frac{3}{4}$	-	7.50	10.44
week ago	$10\frac{1}{4}$	$10\frac{3}{4}$	$11\frac{1}{8}$	$11\frac{1}{4}$	$11\frac{3}{4}$	-	7.50	10.15
Netherlands	4.56	4.62	4.71	4.83	5.06	-	5.25	-
week ago	4.70	4.62	4.80	5.05	5.24	-	5.25	-
Switzerland	$3\frac{1}{4}$	$3\frac{3}{8}$	$3\frac{3}{8}$	$3\frac{3}{8}$	$3\frac{3}{8}$	6.625	3.00	-
week ago	$3\frac{1}{2}$	$3\frac{3}{8}$	$3\frac{1}{2}$	$3\frac{1}{2}$	$3\frac{13}{16}$	6.625	3.00	-
US	6	$6\frac{1}{8}$	$6\frac{1}{4}$	$6\frac{1}{2}$	$6\frac{13}{16}$	-	5.25	-
week ago	$6\frac{1}{4}$	$6\frac{1}{8}$	$6\frac{1}{4}$	$6\frac{1}{2}$	$6\frac{7}{8}$	-	5.25	-
Japan	$2\frac{1}{8}$	$1\frac{13}{16}$	$1\frac{3}{4}$	$1\frac{3}{4}$	$1\frac{3}{4}$	-	1.75	-
week ago	$2\frac{1}{4}$	$1\frac{13}{16}$	$1\frac{13}{16}$	$1\frac{13}{16}$	$1\frac{13}{16}$	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	$6\frac{1}{8}$	$6\frac{1}{4}$	$6\frac{1}{2}$	$6\frac{3}{4}$	-	-	-
week ago	-	$6\frac{1}{8}$	$6\frac{1}{4}$	$6\frac{1}{2}$	$6\frac{3}{4}$	-	-	-
US Dollar CDs	-	5.90	6.06	6.26	6.59	-	-	-
week ago	-	5.90	6.10	6.27	6.55	-	-	-
SDR Linked Ds	-	$4\frac{5}{8}$	5	$5\frac{1}{8}$	$5\frac{1}{8}$	-	-	-
week ago	-	$4\frac{3}{4}$	$4\frac{7}{8}$	$4\frac{7}{8}$	$4\frac{7}{8}$	-	-	-

ECU Linked Ds mid rates: 1 mth: $6\frac{5}{16}$; 3 mths: $6\frac{3}{8}$; 6 mths: $6\frac{9}{16}$; 1 year: $6\frac{3}{4}$. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 6	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$5 - 4\frac{13}{16}$	$5\frac{1}{2} - 5$	$5\frac{1}{8} - 5$	$5\frac{1}{4} - 5\frac{1}{8}$	$5\frac{7}{16} - 5\frac{5}{16}$	$6 - 5\frac{7}{8}$
Danish Krone	$6\frac{1}{4} - 5\frac{7}{8}$	$7\frac{1}{4} - 6\frac{7}{8}$	$7\frac{1}{8} - 6\frac{7}{8}$	$7\frac{1}{4} - 7$	$7\frac{1}{4} - 7$	$7\frac{1}{2} - 7\frac{1}{4}$
D-Mark	$4\frac{5}{8} - 4\frac{1}{2}$	$4\frac{5}{8} - 4\frac{1}{2}$	$4\frac{5}{8} - 4\frac{1}{2}$	$4\frac{5}{8} - 4\frac{1}{2}$	$4\frac{13}{16} - 4\frac{5}{8}$	$4\frac{15}{16} - 4\frac{13}{16}$
Dutch Guilder	$4\frac{7}{8} - 4\frac{1}{2}$	$4\frac{5}{8} - 4\frac{1}{2}$	$4\frac{13}{16} - 4\frac{11}{16}$	$4\frac{7}{8} - 4\frac{3}{4}$	$5\frac{1}{16} - 4\frac{15}{16}$	$5\frac{5}{16} - 5\frac{1}{8}$
French Franc	$7\frac{3}{4} - 7\frac{1}{2}$	$7\frac{3}{4} - 7\frac{1}{2}$	$7\frac{3}{4} - 7\frac{1}{2}$	$7\frac{9}{16} - 7\frac{7}{16}$	$7\frac{3}{16} - 6\frac{15}{16}$	$7\frac{3}{16} - 6\frac{15}{16}$
Portuguese Esc.	$9\frac{1}{4} - 9$	$9\frac{1}{2} - 9\frac{1}{8}$	$10\frac{3}{4} - 10\frac{1}{2}$	$11 - 10\frac{3}{4}$	$11\frac{3}{4} - 11\frac{1}{4}$	$11\frac{3}{4} - 11\frac{1}{4}$
Spanish Peseta	$8\frac{9}{16} - 8\frac{7}{16}$	$8\frac{11}{16} - 8\frac{9}{16}$	$8\frac{13}{16} - 8\frac{11}{16}$	$9\frac{1}{4} - 9\frac{1}{8}$	$9\frac{9}{16} - 9\frac{7}{16}$	$10\frac{1}{4} - 10\frac{1}{8}$
Sterling	$5\frac{5}{8} - 5\frac{1}{2}$	$5\frac{3}{4} - 5\frac{1}{2}$	$6\frac{1}{8} - 6\frac{1}{16}$	$6\frac{11}{16} - 6\frac{9}{16}$	$7 - 6\frac{13}{16}$	$7\frac{5}{8} - 7\frac{1}{2}$
Swiss Franc	$3\frac{1}{8} - 2\frac{7}{8}$	$3\frac{1}{4} - 3\frac{1}{8}$	$3\frac{5}{16} - 3\frac{3}{16}$	$3\frac{5}{16} - 3\frac{3}{16}$	$3\frac{7}{16} - 3\frac{5}{16}$	$3\frac{1}{2} - 3\frac{3}{8}$
Can. Dollar	$8\frac{1}{16} - 7\frac{7}{8}$	$8\frac{1}{8} - 7\frac{15}{16}$	$8\frac{1}{8} - 8$	$8\frac{1}{4} - 8\frac{1}{8}$	$8\frac{1}{4} - 8\frac{1}{8}$	$8\frac{1}{4} - 8\frac{1}{8}$
US Dollar	$6\frac{1}{16} - 5\frac{15}{16}$	$6\frac{1}{16} - 5\frac{15}{16}$	$6\frac{1}{8} - 6$	$6\frac{3}{8} - 6\frac{1}{4}$	$6\frac{7}{16} - 6\frac{5}{16}$	$6\frac{3}{4} - 6\frac{5}{8}$
Italian Lira	$10\frac{1}{4} - 9\frac{3}{4}$	$10\frac{5}{16} - 10\frac{3}{16}$	$10\frac{7}{16} - 10\frac{5}{16}$	$11 - 10\frac{7}{8}$	$11\frac{3}{8} - 11\frac{1}{4}$	$11\frac{3}{4} - 11\frac{5}{8}$
Yen	$1\frac{13}{16} - 1\frac{11}{16}$	$1\frac{3}{4} - 1\frac{11}{16}$	$1\frac{3}{4} - 1\frac{11}{16}$	$1\frac{11}{16} - 1\frac{5}{8}$	$1\frac{11}{16} - 1\frac{5}{8}$	$1\frac{5}{8} - 1\frac{1}{2}$
Asian $Sing	$3\frac{7}{8} - 3\frac{3}{4}$	$3\frac{1}{4} - 3\frac{1}{8}$	$2\frac{15}{16} - 2\frac{13}{16}$	$2\frac{15}{16} - 2\frac{13}{16}$	$3 - 2\frac{7}{8}$	$3\frac{3}{8} - 3\frac{1}{4}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.09	93.24	+0.12	93.30	93.01	47,172	45,425
Sep	93.36	93.57	+0.16	93.62	93.35	19,060	32,009
Dec	93.35	93.48	+0.08	93.52	93.35	6,929	21,676
Mar	93.22	93.30	+0.04	93.34	93.22	2,593	14,809

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		93.58	+0.03			0	565
Sep		93.38	+0.04			0	329
Dec		93.16	+0.06			0	255
Mar		93.16	+0.06			0	0

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.31	95.31	+0.03	95.33	95.29	23168	157491
Sep	95.12	95.12	+0.02	95.15	95.11	25246	171604
Dec	94.85	94.86	+0.03	94.88	94.83	12273	118720
Mar	94.55	94.54	+0.02	94.58	94.53	8971	65682

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	88.45	88.82	+0.20	88.85	88.45	9598	40612
Sep	88.50	88.72	+0.14	88.75	88.50	1289	23303
Dec	88.58	88.70	+0.12	88.77	88.58	802	13673
Mar	88.60	88.70	+0.11	88.77	88.56	356	7617

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.65	96.60	+0.02	96.65	96.59	2791	22387
Sep	96.54	96.52	+0.02	96.55	96.47	685	8478
Dec	96.40	96.39	+0.03	96.40	96.36	129	6180
Mar	96.28	96.24	+0.03	96.26	96.24	53	1749

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.40	93.55	+0.18	93.57	93.39	3042	9422
Sep	93.33	93.49	+0.19	93.51	93.33	892	4291
Dec	93.08	93.21	+0.16	93.22	93.08	249	2363
Mar	92.88	92.98	+0.13	93.00	92.86	242	1685

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 6		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.19	16.95	4.865	2.182	6054	5.447	21.84	514.8	443.9	26.13	3.985	2.197	4.909	3.535	301.7	2.654
Denmark	(DKr)	52.12	10	8.836	2.536	1.137	3155	2.839	11.38	268.3	231.3	13.62	2.077	1.145	2.558	1.843	157.2	1.383
France	(FFr)	58.98	11.32	10	2.869	1.287	3571	3.213	12.88	303.7	261.8	15.41	2.351	1.296	2.895	2.085	177.9	1.566
Germany	(DM)	20.56	3.944	3.485	1	0.449	1244	1.120	4.490	105.8	91.24	5.370	0.819	0.452	1.009	0.727	62.01	0.546
Ireland	(I£)	45.83	8.794	7.770	2.230	1	2774	2.496	10.01	236.0	203.4	11.97	1.827	1.007	2.250	1.620	138.3	1.217
Italy	(L)	1.652	0.317	0.280	0.080	0.036	100.	0.090	0.361	8.505	7.332	0.432	0.066	0.036	0.081	0.058	4.984	0.044
Netherlands	(Fl)	18.36	3.522	3.113	0.893	0.401	1111	1	4.010	94.51	81.48	4.796	0.732	0.403	0.901	0.649	55.39	0.487
Norway	(NKr)	45.78	8.784	7.762	2.227	0.999	2771	2.494	10	235.7	203.2	11.96	1.825	1.006	2.247	1.619	138.1	1.215
Portugal	(Es)	19.42	3.727	3.293	0.945	0.424	1176	1.058	4.243	100.	86.21	5.075	0.774	0.427	0.953	0.687	58.60	0.516
Spain	(Pta)	22.53	4.323	3.820	1.096	0.492	1364	1.227	4.921	116.0	100.	5.886	0.898	0.495	1.106	0.797	67.97	0.598
Sweden	(SKr)	38.28	7.344	6.489	1.862	0.835	2317	2.085	8.361	197.1	169.9	10	1.526	0.841	1.879	1.353	115.5	1.016
Switzerland	(SFr)	25.09	4.814	4.254	1.221	0.547	1519	1.367	5.480	129.2	111.4	6.555	1	0.551	1.232	0.887	75.69	0.666
UK	(£)	45.51	8.732	7.716	2.214	0.993	2755	2.479	9.941	234.3	202.0	11.89	1.814	1	2.234	1.609	137.3	1.208
Canada	(C$)	20.37	3.909	3.454	0.991	0.444	1233	1.110	4.450	104.9	90.42	5.322	0.812	0.448	1	0.720	61.46	0.541
US	($)	28.28	5.427	4.796	1.376	0.617	1712	1.541	6.178	145.6	125.5	7.390	1.127	0.622	1.388	1	85.33	0.751
Japan	(Y)	33.15	6.360	5.620	1.613	0.723	2007	1.806	7.240	170.6	147.1	8.660	1.321	0.728	1.627	1.172	100.	0.880
Ecu		37.67	7.228	6.387	1.833	0.822	2281	2.052	8.229	194.0	167.2	9.843	1.502	0.828	1.849	1.332	113.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7308	0.7290	-0.0028	0.7375	0.7285	32,831	57,776
Sep	-	0.7320	-	-	0.7306	187	2,211
Dec	-	0.7340	-	-	0.7340	7	361

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8942	0.8921	-0.0055	0.9036	0.8885	19,144	27,247
Sep	0.9045	0.8987	-0.0084	0.9059	0.8959	37	2,442
Dec	-	0.9054	-	-	0.9030	15	165

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.1744	1.1790	+0.0045	1.1845	1.1690	25,116	58,926
Sep	1.1975	1.1935	+0.0041	1.1975	1.1890	293	2,785
Dec	1.2080	1.2075	+0.0033	1.2085	1.2075	6	397

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6090	1.6072	-0.0016	1.6142	1.6038	5,623	22,871
Sep	-	1.6040	-	-	1.6020	63	221
Dec	-	1.6020	-	-	1.5990	3	63

UK INTEREST RATES

LONDON MONEY RATES

Apr 6	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	$2 - 6\frac{5}{8}$	$5\frac{3}{4} - 6\frac{1}{4}$	$6 - 6\frac{1}{4}$	$6\frac{3}{16} - 6\frac{13}{16}$	$6\frac{15}{16} - 7\frac{1}{16}$	$7\frac{1}{2} - 7\frac{5}{8}$
Sterling CDs	-	-	$6\frac{3}{16} - 6\frac{1}{8}$	$6\frac{5}{8} - 6\frac{9}{16}$	$7 - 6\frac{15}{16}$	$7\frac{5}{8} - 7\frac{1}{2}$
Treasury Bills	-	-	$6\frac{1}{16} - 6$	$6\frac{1}{4} - 6\frac{1}{8}$	-	-
Bank Bills	-	-	$6\frac{1}{16} - 6$	$6\frac{3}{8} - 6\frac{1}{4}$	$6\frac{13}{16} - 6\frac{11}{16}$	-
Local authority deps.	$6\frac{1}{16} - 6\frac{1}{16}$	$5\frac{13}{16} - 5\frac{11}{16}$	$6\frac{3}{16} - 6\frac{1}{8}$	$6\frac{5}{8} - 6\frac{1}{2}$	$7\frac{1}{16} - 6\frac{15}{16}$	$7\frac{7}{16} - 7\frac{3}{16}$
Discount Market deps	$5\frac{1}{2} - 4\frac{1}{2}$	$6 - 5\frac{3}{4}$	-	-	-	-

UK clearing bank base lending rate $6\frac{3}{4}$ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	$5\frac{3}{4}$	$5\frac{3}{4}$	6	$6\frac{1}{4}$

Certs of Tax dep. under £100,000 is $2\frac{1}{2}$pc. Deposits withdrawn for cash $1\frac{1}{2}$pc.
Ave. tender rate of discount 6.1134pc. ECGD fixed rate Stlg. Export Finance. Make up day Mar 31, 1995. Agreed rate for period Apr 26, 1995 to May 23, 1995, Schemes II & III 7.98pc. Reference rate for period Mar 1, 1995 to Mar 31, 1995, Schemes IV & V 6.713pc. Finance House Base Rate 7pc from Apr 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.79	92.82	-	92.84	92.76	16542	94141
Sep	92.38	92.41	+0.01	92.43	92.33	11355	68844
Dec	92.01	92.07	+0.02	92.08	92.00	4702	53760
Mar	91.75	91.77	-	91.80	91.73	1699	36520

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9275	0.23	0.20	0.19	0.16	0.54	0.87
9300	0.10	0.10	0.11	0.28	0.69	1.04
9325	0.03	0.06	0.07	0.46	0.90	1.25

Est. vol. total, Calls 5794 Puts 5744. Previous day's open int., Calls 174555 Puts 132345.

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

EMS EUROPEAN CURRENCY UNIT RATES

Apr 6	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.07433	+0.0025	-3.62	8.89	-
Belgium	39.3960	38.0807	+0.0284	-3.34	8.58	24
Germany	1.91007	1.85292	+0.00271	-2.99	8.19	-
Austria	13.4383	13.0397	+0.0188	-3.05	8.17	-
Portugal	195.792	195.986	+0.248	0.10	4.85	-1
Denmark	7.28580	7.30541	-0.01118	0.27	4.67	-2
France	6.40608	6.45999	-0.01204	0.84	4.08	-7
Spain	162.493	168.814	-1.001	3.89	1.02	-27
Ireland	0.792214	0.831457	-0.00145	4.95	0.00	-33
NON ERM MEMBERS						
Greece	292.867	302.399	+0.124	3.25	1.65	-
Italy	2106.15	2303.52	-6.24	9.37	-4.04	-
UK	0.786652	0.836680	+0.001296	6.36	-1.32	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
1.525	8.12	8.37	8.77	-	0.28	0.83
1.550	5.72	6.30	6.95	-	0.64	1.39
1.575	3.43	4.44	5.26	0.20	1.26	2.18
1.600	1.62	2.90	3.84	0.84	2.21	3.17
1.625	0.54	1.81	2.70	2.26	3.51	4.50
1.650	0.11	1.03	1.87	4.27	5.21	6.10

Previous day's vol., Calls 7,847 Puts 13,520 . Prev. day's open int., Calls 232,451 Puts 318,821

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.56	93.57	+0.02	93.58	93.55	59,365	518,249
Sep	93.34	93.37	+0.03	93.38	93.33	73,487	353,083
Dec	93.12	93.15	+0.04	93.15	93.10	51,502	263,136

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.12	94.13	+0.02	94.13	94.12	852	15,508
Sep	93.88	93.90	+0.04	93.91	93.88	47	10,357
Dec	93.70	93.71	+0.04	93.71	93.70	264	9,163

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Apr	May	Jun	Sep	PUTS Apr	May	Jun	Sep
9525	0.08	0.12	0.15	0.16	0.02	0.06	0.09	0.29
9550	0.01	0.02	0.04	0.06	0.20	0.21	0.23	0.48
9575	0	0	0.01	0.03	0.44	0.44	0.45	0.66

Est. vol. total, Calls 2937 Puts 3837. Previous day's open int., Calls 153465 Puts 246202

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9650	0.16	0.20	0.22	0.08	0.18	0.33
9675	0.04	0.09	0.12	0.19	0.32	0.48
9700	0	0.03	0.06	0.40	0.51	0.67

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 887 Puts 885

LEGAL NOTICES

MAXWELL COMMUNICATION CORPORATION PLC (IN ADMINISTRATION)

Scheme of Arrangement
Plan of Reorganization

DM 150,000,000 6% bonds of 1988/1993
ECU 75,000,000 8⅝% bonds of 1988/1993
SFr 150,000,000 5% bonds of 1988/1995

NOTICE IS HEREBY GIVEN that the second distribution under the Scheme and the Plan will be paid on 12 April 1995.

Holders of Distribution Certificates relating to the above bonds should present Distribution Coupon No.2 to their own bank, or any branch of the relevant agent bank or at the relevant address set out below in order to receive the second distribution.

Failure to present the relevant Distribution Coupon for payment within one year from 12 April 1995 will result in that Distribution Coupon becoming void, with the result that the holder of that Distribution Coupon will thereafter not be entitled to receive any distribution in respect thereof.

Agent Bank for the ECU and DM Bonds
Bayerische Vereinsbank AG
Am Tucherpark 12
80311 Munchen
Germany
Attention ZGA 61

Agent Bank for the Swiss Franc Bonds
Swiss Volksbank
PO Box 631
Bahnhofstrasse 53
CH-8021 Zurich
Switzerland
Attention LWV 40

Dated 7 April 1995

AM Homan
ARD Jamieson
JGA Phillips
CG Bird

Administrators of Maxwell Communication Corporation plc

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf		60½xd	—	98	60¼	6.31	19.8	-
9¼pc Non-Cum Prf		4¼	—	110½	3	1.98	-	-
Cater Allen		459	—	485	418	148.6	7.7	9.5
Close Bros		281xd	—	281	218	248.5	3.8	11.8
Gerrard & Nat		415	—	480	395	202.1	7.2	12.0
Hambros		218	-4	250	195	385.0	8.6	13.4
7½pc Cv Pf		99	-1	112	94	127.5	8.5	-
Joseph (L)		365	-13	400	365	19.3	6.0	10.6
King & Shaxson		92	+1	103	85	18.0	12.2	9.1
Kleinwort Benson		661xd	+2	683	529	682.4	4.1	12.9
Rea Bros		57	—	67	55	23.7	2.2	Φ
Schroders		1535xd	—	1548	1390	1,535	1.7	16.0
N/V		1350xd	—	1393	1235	391.5	1.8	12.4
Singer & Fried		82	—	88½	82	133.3	5.5	Φ
Union		84xd	-3	93	70	22.3	4.5	Φ
Warburg (SG)		736	+1	784	655	1,587	3.6	13.3
Wintrust		285	—	235	200	17.4	6.5	13.7

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

	Notes	Price	+ or -	1995 high	low	Yld Gr's	NAV	Dis or Pm(-)
Approved by the Inland Revenue								
Aberforth Split Inc		88	—	90	85	12.4	–	–
Cap		160	—	170	158	–	254.4	37.1
Units		249	—	282	246	4.2	265.1	6.1
Abtrust Prf Inc	♣□	97½	—	105	98	10.5	79.6	-17.9
Zero Div Pf		167½	+½	168	163½	–	–	–
Archimedes Inc		228	—	255	225	14.7	–	–
Cap		390	—	415	385	–	623.2	37.4
City of Oxford	♣□	28	—	30½	26½	21.6	29.1	3.3
Warrants		4½	—	5	4	–	–	–
Zero Div Pf		98	-1	109	96½	–	–	–
Contra-Cycl Inc	♣	56	—	67	56	20.6	–	–
Cap	□	17	—	23	17	–	41.8	59.1
Zero Div Pf		86	-1	96	84½	–	–	–
Dabsa Inc	♣	78	—	90	78	13.1	–	–
Cap		34	+1	38	31	–	64.0	46.9
Derby Inc	Nv	155	—	165	155	13.5	–	–
Cap		298	—	365	278	–	456.4	34.7
Drayton Blue Chip	♣□	56	—	62	51	10.8	58.5	4.3
Zero Pf		195	—	198	190½	–	–	–
Edinburgh Income	♣□	40xd	—	48	40	12.5	39.9	-.3
Zero Div Pf		62	—	62	59	–	–	–
Exmoor Dual	♣	20	-1	27	20	8.9	24.7	19.0
Inc		62	—	77	60	18.9	–	–
Zero Cpn Pf		244	—	246	242	–	–	–
Fleming Scottish Cap	♣	150	—	163	150	2.7	164.7	3.9
Zero Pf		203	+1	203	185½	–	–	–
Fleming Geared Inc	♣	165	—	178	161	1.5	248.3	33.5
Warrants		104	—	125	98	–	–	–
Cm Ptg Pf		158	—	169	157	11.9	–	–
Fleming I & C Inc	♣□	72	—	75	69½	8.5	81.9	12.1
Units	□	118	+1	121	116	6.2	123.3	4.3
Zero Div Pf		47¼	—	47¼	46	–	–	–
Fleming Int High	♣□	30½	—	38	29	14.6	36.5	16.4
Zero Div Pf		103½	-½	104	101¾	–	–	–
For & Col SUIT Sp Inc	♣□	61½	—	62	60	7.6	–	–

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

Net asset values supplied by Hoare Govett as a guide only. See guide to London Share Service

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda

GUERNSEY (SIB RECOGNISED)

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 248, St Peter Port, Guernsey

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Bellinvest Management (Guernsey) Ltd

CIBC Fund Managers (Guernsey) Ltd

Claridan Investment Management (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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	Selling Price	Buying Price	+ or -	Yield Gross

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie back to 3,200 mark but gains trimmed

By Terry Byland,
UK Stock Market Editor

The FT-SE 100 Share Index closed above 3,200 yesterday for the first time since mid-September last year despite a lacklustre performance by sterling and British government bonds. Shares moved through an irregular pattern, falling at first but moving higher later as interest rates were trimmed in France, Belgium and Denmark. A slow start to the new Wall Street session halved London's gains towards the close.

The final reading of 3,200.9 on the FT-SE 100 Share Index showed a net gain on the day of 10.7 points; at the day's best, the Footsie 100 touched 3,212.2. The more widely-based FT-SE 250 Index, which has been lagging behind the blue chip indices this week, jumped 14.1 to 3,482.4. Trading in non-Footsie stocks remained brisk at around 58 per cent of the total.

Equities looked nervous in early trading, when sterling eased in anticipation of poor results for UK government candidates as voters went to the polls in the local elections being held in Scotland. British government bonds, taking their cue from sterling, also shaded lower.

The UK industrial production figures for February, showing a 0.3 per cent gain over the month, were weaker than expected in the market but had little effect. Currency factors were also less prominent yesterday, although international stocks improved when the dollar rallied from a new low against the yen.

There was some nervousness in late trading when the Dow Jones Industrial Average turned back from an initial rise of 16 points to show a gain of only a couple of points in UK trading hours. Wall Street's success in advancing to new peaks has provided a lead for London, especially in the pharmaceutical sectors where share prices in the two markets are closely linked.

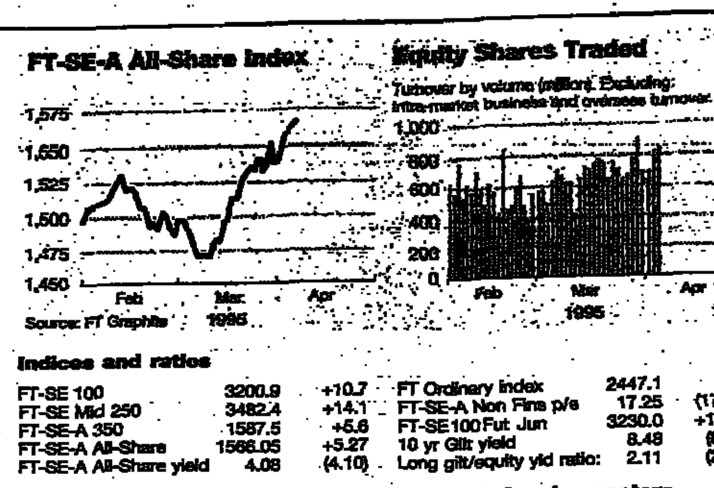
Pharmaceutical stocks turned in the best performance in the UK market over the first quarter, with a return of 13.5 per cent – as well as the market's biggest recorded takeover in the form of Glaxo's £9bn plus acquisition of Wellcome.

UK equities outperformed most global markets over the first three months of 1995, according to statistics prepared by NatWest Securities. However, the total return of 3.8 per cent on the UK market compared with 9.7 per cent in US markets, and minus 15.8 per cent from Japan.

Pharmaceuticals, and other dollar stocks, continued to lead the stock market yesterday. Interest in the domestic, interest-related sectors, including stores and consumer issues, was fairly modest.

Among a scattering of special features, Johnson Matthey, a leading world refiner of platinum, stood out strongly in response to the surge in platinum prices to four and a half year peaks, after Engelhard of the US announced development of a platinum catalyst that will clean up smog. Analysts foresee a huge market for such a product if it lives up to its promise.

Seaq volume of 656.9m shares yesterday, compared with a shade under 700m in the previous session. On Wednesday, retail, or customer business, was worth £1.9bn, one of the higher daily totals of recent sessions.



Indices and ratios

FT-SE 100	3200.9	+10.7	FT Ordinary Index	2447.1	+3.1
FT-SE Mid 250	3482.4	+14.1	FT-SE-A Non Fins p/e	17.25	(17.19)
FT-SE-A 350	1587.5	+5.6	FT-SE 100 Fut Jun	3230.0	+16.00
FT-SE-A All-Share	1566.05	+5.27	10 yr Gilt yield	8.48	(8.44)
FT-SE-A All-Share yield	4.08	(4.10)	Long gilt/equity yld ratio:	2.11	(2.09)

Best performing sectors

1 Life Assurance .... +1.2
2 Banks, Retail .... +1.1
3 Insurance .... +1.0
4 Paper, Pckg & Printing .... +0.9
5 Tobacco .... +0.9

Worst performing sectors

1 Gas Distribution .... -1.1
2 Oil, Integrated .... -0.7
3 Property .... -0.5
4 Health Care .... -0.4
5 Mineral Extraction .... -0.4

Bid talk affects Hanson

As speculation about a huge and imminent takeover bid from Hanson intensifies, some analysts have begun to examine what it could mean for the conglomerate's shares. Consequently, there was switching away from the conglomerate and into rivals BTR and Tomkins yesterday.

Nomura has published research which looks back at the last acquisition spree between 1986 and 1993. It concludes that a big move could seriously undermine the company's price earnings ratio.

Analyst Mr Nick Wilson said: "Over the period discussed, the price earnings ratio of Hanson against the FT-A industrials sector, excluding oils, fell from 120 to 90. Has anything changed?"

Since then, he says, the figure has recovered to above 100. Assuming the demerger of US Industries is approved in early May, Hanson will have a cash pile of some £2bn. Even if it restricts its spending to below that figure, Mr Wilson believes that it will have to issue paper at some stage as its capacity for disposals has virtually dried up.

He has turned seller of the stock and says that although his current forecasts imply a p/e relative of 90 and a share price of 240p in 1996, the risk involved with the stock would make it more fairly valued at 227p. Hanson shares lagged behind the FT-SE 100 and closed 1½ lower on turnover of 6.1m. Nomura is advising clients to shift funds to BTR, up 3 at best but down a penny at 333p by the close, or Tomkins, up 5 at 247p.

Anglian hopes

A busy water sector attracted strong interest with most of the turnover concentrated, according to dealers, in Anglian Water and North West Water. The latter held at 566p but the former moved up 3 to 480p.

Dealers said North West had moved above their perceived trading range of 480p-560p and were due a retracement, while Anglian are close to their trading range low point.

Another suggestion beginning to gain credence in the market was that Anglian could well be the next water company to emulate North West Water's move, and make a special dividend payment to shareholders, matched by a rebate to customers. Many of the water companies are thought to be considering special payments and rebates to shareholders and customers.

Talk in the market yesterday was that Anglian could repay at least £20m, via cost savings, to shareholders and customers, split equally. This could indicate a special dividend at least matching that of North West Water – 4.75p a share – and possibly topping that by 0.25p, specialists said.

Other good performers in waters included Northumbrian, up 13 at 865p, Yorkshire, up 6 at 542p, and Welsh, the same amount ahead at 617p.

Satellite broadcaster BSkyB beamed up 6¼ to 258p after securing the rights to boxers in Frank Warren's stable. The fighters include Nigel Benn and Mike Tyson and analysts expect the deal to be especially cash generative as boxing is one of the few areas where pay-per-view TV has taken off.

Marketing services group WPP was heavily traded in advance of a presentation by the company to analysts and institutions. Chief executive Mr Martin Sorrell said revenue had grown by 7 per cent in the first two months of the year and the market was looking for 5 per cent. The shares, which have risen sharply this week, were steady at 110p.

Publisher Harrington Kilbride doubled in price to 38p after the company announced the appointment of a new chief executive and finance director.

The electricity distribution stocks continued to attract keen interest with dealers noting further interest from action funds, looking for rapid gains after the sector's recent dismal performance.

Adding spice to the sector was a mixture of stories suggesting that more bids or stakebuilding moves could be on the way, despite the worries over the forthcoming pricing review, details of which are expected in June.

Eastern jumped 15 more to 598p, after significantly high turnover of 2.1m, and were additionally lifted by hopes of share buy backs.

It was Yorkshire, however, which remained the sector's hottest bid favourite. The shares, which had already risen 18 this week, jumped a further 16 to 640p. Marketmakers also noted the continuing heavy turnover in the stock, where turnover yesterday was 2.6m.

BP's recent record breaking performance which took the stock to an all-time high was brought to an abrupt halt, the shares slipping 5¼ to 427½p with much of the damage said to have been instigated by ABN-Amro Hoare Govett, the stockbroker and joint broker to the company.

Hoare was said to have recommended a switch out of BP and Enterprise Oil into Shell. The latter closed 1½ off at 717½p and the former eased a shade to 392p.

Lasmo was the best performer in the sector, moving up 4 to 169p after relatively good turnover of 3.5m, helped by recent broker buy recommendations.

Precious metals group Johnson Matthey leapt 19 to 551p in response to the sharp rise in the price of platinum. The current 10 per cent rise is estimated to have added £4m to Johnson's bottom line.

A return of optimism that the long running German dispute over the Eurofighter project was close to resolution gave a lift to British Aerospace, the UK partner in the project. BAe shares were up 16 at one stage but reports that the wrangle between the German government and Daimler-Benz Aerospace had been resolved later appeared premature and the shares lost height, closing 7 up at 491p.

Engineering group Bostrom lifted 21 to 320p, after announcing profits at the top end of analysts' forecasts.

News that almost 20 per cent of the Standard Chartered stock sold by Lloyds Bank on Tuesday had been snapped up by the Prudential Group, saw Standard shares post the best individual performance in the FT-SE 100 list. They closed 9 higher at 294p.

Prudential's stake in Standard was increased by 8.6m shares to 42.6m, 4.41 per cent.

Vodafone lost 5½ more to 194p – the worst showing of any FT-SE constituent – amid suggestions that at least two leading broking houses had made cautious comments about the group.

Pharmaceuticals group Scotia improved 7 to 397p on expectations for its key cancer drug and another drug for diabetic neuropathy.

Wardle Storeys, the safety equipment and parachute maker, descended 13 to 315p after improved half-year profits.

It said its biggest division, technical products, was still having difficulty passing on cost increases to customers and was being undercut by competitors.

In food manufacturing, Dalgety hardened a penny to 443p, as reports that it was about to sell its snack foods business circulated.

FINANCIAL TIMES EQUITY INDICES

	Apr 6	Apr 5	Apr 4	Apr 3	Mar 31	Yr ago	*High	*Low
Ordinary Share	2447.1	2444.0	2441.8	2408.5	2407.4	2474.9	2447.1	2238.3
Ord. div. yield	4.32	4.33	4.33	4.39	4.40	3.76	4.66	4.32
P/E ratio net	16.83	16.80	16.80	16.57	16.60	21.17	18.04	16.57
P/E ratio nil	16.73	16.71	16.71	16.48	16.48	22.07	17.28	15.77

*For 1995. Ordinary Share Index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2438.0	2436.5	2445.4	2445.8	2455.8	2453.2	2452.2	2452.0	2448.5	2456.4	2434.8

	Apr 6	Apr 5	Apr 4	Apr 3	Mar 31	Yr ago
SEAQ bargains	33,621	41,186	47,692	37,309	36,176	28,012
Equity turnover (£m)†	-	1901.8	1627.2	1323.0	1491.5	1657.3
Equity bargains†	-	62,092	66,209	57,948	49,095	34,840
Shares traded (ml)†	-	850.8	847.0	696.1	680.4	713.9

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	668	Total Highs	211	Total contracts	45,337
Total Falls	563	Total Lows	81	Calls	19,806
Same	1,634			Puts	25,531

April 6 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3203.0	3230.0	+16.0	3245.0	3198.0	14033	69128
Sep		3254.0	+16.0			0	1816
Dec		3263.0	+16.0			0	0

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3495.0	3500.0	+16.0	3495.0	3495.0	1	4392

FT-SE 100 INDEX OPTION (LIFFE) (*3202) £10 per full index point

[illegible]

Calls 8,808 Puts [illegible]

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 4,012 Puts [illegible] * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p
150	F.P.	518.8	167	154	Albright & Wilson	165½
-	F.P.	17.5	201	170	Beale	171
-	F.P.	3.81	123	113	Brit Aerospace Uts	123
-	F.P.	34.0	161	123	Colleagues	150
§128	F.P.	15.6	135	130	Dailywin	130
§130	F.P.	45.7	138	136	Datrontech	136
175	F.P.	102.7	178	170½	Expro Intl	174
100	F.P.	20.0	101	100	F&C SUIT Units	100
100	F.P.	29.7	101	99	Geared Inc Inv C	99
§135	F.P.	15.4	138	115	Golden Rose	115
100	F.P.	163.2	103	95	HTR Inc Gth Sp Inc	102
-	F.P.	8.68	20	17	Inv Cap Warrants	17½
-	F.P.	21.8	87	83	Inv Tst of Inv Tsts	84
-	F.P.	0.36	5	3	Melrose Warrants	3½
100	F.P.	23.8	96	90	Montanaro UK Sm	95
-	F.P.	2.20	48	43	Do. Warrants	44
476	170	6,140.8	193	158½	*Natl Power (P/P)	173
90	F.P.	17.5	92	90	PTS	92
512	185	4,042.8	206	176½	*PowerGen (P/P)	188
-	F.P.	65.6	528	493	Schroder I G Uts	528
100	F.P.	22.8	97	95	Scott Or Smlr Cos	96
50	F.P.	3.10	52	40	Superframe	40
-	F.P.	0.04	1600	6	Do. Warrants	6
-	F.P.	24.5	105	100	Throg Dt Zero Pf	103
145	F.P.	63.1	183	170	Zotefoams	174

* Note: Issue price 10p higher for institutional and overseas investors.

FT GOLD MINES INDEX

	Apr 5	% chg on day	Apr 4	Apr 3	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	2020.05	+2.9	1962.88	1964.14	1950.36	2.16	2337.90	1637.91
Regional Indices								
Africa (16)	2596.02	+2.1	2637.16	2619.37	2508.46	4.70	3711.67	2304.45
Australasia (7)	2465.18	+6.3	2318.33	2228.29	2450.47	1.71	2951.49	1788.20
North America (11)	1761.68	+2.6	1657.90	1679.50	1714.37	0.77	1911.21	1348.18

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Latest prices were unavailable for this edition.

FT-SE Actuaries Share Indices The UK Series

	Apr 6	Day's chge%	Apr 5	Apr 4	Apr 3	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3200.9	-0.3	3190.2	3168.1	3143.1	3129.0	4.26	1.89	15.55	47.99	1241.22
FT-SE Mid 250	3482.4	+0.4	3468.3	3459.8	3437.6	3764.2	3.69	1.84	18.37	31.36	1324.18
FT-SE Mid 250 ex Inv Trusts	3492.8	+0.4	3477.8	3469.7	3449.3	3781.8	3.84	1.90	17.11	31.90	1326.41
FT-SE-A 350	1587.5	+0.4	1581.9	1580.2	1560.6	1588.0	4.13	1.88	16.11	21.68	1257.90
FT-SE-A 350 Higher Yield	1601.8	+0.4	1595.3	1594.4	1574.1	1594.7	5.07	1.70	14.47	28.27	1047.30
FT-SE-A 350 Lower Yield	1572.9	+0.3	1568.4	1565.8	1547.0	1540.6	3.08	2.22	18.56	14.81	1046.97
FT-SE SmallCap	1730.14	+0.2	1727.05	1721.92	1715.60	1912.29	3.49	1.56	22.97	16.31	1365.32
FT-SE SmallCap ex Inv Trusts	1707.59	+0.2	1704.20	1699.47	1694.54	1866.61	3.71	1.62	20.78	16.17	1352.13
FT-SE-A ALL-SHARE	1566.05	+0.3	1560.78	1558.90	1540.61	1578.41	4.08	1.86	16.48	20.89	1261.54

FT-SE Actuaries All-Share

	Apr 6	Day's chge%	Apr 5	Apr 4	Apr 3	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2724.39	-0.4	2735.26	2752.38	2715.03	2549.36	3.78	1.75	18.92	50.75	1120.95
12 Extractive Industries(7)	3708.78	+0.3	3697.54	3740.34	3680.12	3935.74	3.79	1.96	16.78	91.07	1049.97
15 Oil, Integrated(3)	2705.20	-0.7	2724.18	2740.01	2701.65	2461.44	3.91	1.79	17.86	47.68	1137.60
16 Oil Exploration & Prod(14)	1977.66	-0.7	1964.04	1963.18	1955.24	1852.30	2.49	0.43	80.00†	31.57	1163.53
20 GEN INDUSTRIALS(279)	1884.24	+0.4	1876.27	1873.39	1854.27	2071.11	4.16	1.62	18.59	22.33	981.20
21 Building & Construction(38)	975.63	-0.1	975.49	970.91	962.48	1323.39	4.08	1.66	16.41	11.81	780.03
22 Building Matls & Merchs(31)	1774.06	-0.6	1762.86	1751.32	1745.49	2126.47	4.14	1.71	17.67	12.85	850.56
23 Chemicals(22)	[illegible]										
24 Diversified Industrials(18)	[illegible]										
25 Electronic & Elect Equip(37)	[illegible]										
26 Engineering(72)	[illegible]										
27 Engineering, Vehicles(13)	[illegible]										
28 Paper, Pckg & Printing(27)	[illegible]										
29 Textiles & Apparel(21)	[illegible]										
30 CONSUMER GOODS(94)	[illegible]										
31 Breweries(18)	[illegible]										
32 Spirits, Wines & Ciders(10)	[illegible]										
33 Food Producers(24)	[illegible]										
34 Household Goods(10)	[illegible]										
36 Health Care(18)	[illegible]										
37 Pharmaceuticals(12)	[illegible]										
38 Tobacco(2)	[illegible]										
40 SERVICES(230)	[illegible]										
41 Distributors(32)	[illegible]										
42 Leisure & Hotels(29)	[illegible]										
43 Media(43)	[illegible]										
44 Retailers, Food(16)	[illegible]										
45 Retailers, General(44)	[illegible]										
48 Support Services(38)	[illegible]										
49 Transport(21)	[illegible]										
51 Other Services & Business(7)	[illegible]										
60 UTILITIES(37)	[illegible]										
62 Electricity(17)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(5)	[illegible]										
68 Water(13)	[illegible]										
69 NON-FINANCIALS(664)	[illegible]										
70 FINANCIALS(118)	[illegible]										
71 Banks, Retail(9)	[illegible]										
72 Banks, Merchant(6)	[illegible]										
73 Insurance(26)	[illegible]										
74 Life Assurance(6)	[illegible]										
77 Other Financial(23)	[illegible]										
79 Property(48)	[illegible]										
80 INVESTMENT TRUSTS(133)	[illegible]										
89 FT-SE-A ALL-SHARE(915)	1566.05	+0.3	1560.78	1558.90	1540.61	1578.41	4.08	1.86	16.48	20.89	1261.54
FT-SE-A Fledgling	[illegible]										
FT-SE-A Fledgling ex Inv Trusts	[illegible]										

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]										
FT-SE Mid 250	[illegible]										
FT-SE-A 350	[illegible]										

Time of FT-SE 100 Day's high: [illegible] Day's low: [illegible]

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]											
Pharmaceuticals	[illegible]											
Water	[illegible]											
Banks, Retail	[illegible]											

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. [illegible]

TRADING VOLUME

Major Stocks Yesterday

[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 6 / Sch)

BELGIUM/LUXEMBOURG (Apr 6 / Frs.)

CZECH REP (Apr 6 / Koruna)

DENMARK (Apr 6 / Kr)

FINLAND (Apr 6 / Mka)

FRANCE (Apr 6 / Frs.)

GERMANY (Apr 6 / Dm.)

GREECE (Apr 6 / Drachma)

ITALY (Apr 6 / Lire)

NETHERLANDS (Apr 6 / Fls.)

NORWAY (Apr 6 / Kroner)

POLAND (Apr 5 / Zloty)

PORTUGAL (Apr 6 / Escudo)

SPAIN (Apr 6 / Pts.)

SWEDEN (Apr 6 / Kronor)

SWITZERLAND (Apr 6 / Frs.)

TURKEY (Apr 6 / Tk. Lira)

PACIFIC

JAPAN (Apr 6 / Yen)

HONG KONG (Apr 6 / H.K.$)

INDONESIA (Apr 6 / Rupiah)

MALAYSIA (Apr 6 / MYR)

NEW ZEALAND (Apr 6 / NZ $)

SINGAPORE (Apr 6 / S$)

SOUTH KOREA (Apr 6 / Won)

TAIWAN (Apr 6 / TW $)

THAILAND (Apr 6 / Baht)

AUSTRALIA (Apr 6 / Aus$)

AFRICA

SOUTH AFRICA (Apr 6 / Rand)

NORTH AMERICA

CANADA

TORONTO (Apr 6 / Can $)

4 pm close

MONTREAL (Apr 6 / Can $)

4 pm close

INDICES

INDEX FUTURES

CAC-40 (200 x Index)

DAX

OMX

SOFFEX

US INDICES

Dow Jones	Apr 5	Apr 4	Apr 3	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4200.57	4201.61	4168.41	4201.61 (4/4)	3832.08 (30/1)	4201.61 (4/4/95)	41.22 (2/7/32)
Home Bonds	98.61	98.54	98.40	98.61 (5/4)	93.63 (3/1)	105.77 (18/10/93)	54.99 (1/10/81)
Transport	1628.98	1640.17	1626.03	1656.67 (30/3)	1473.19 (3/1)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	193.71	191.47	187.71	198.74 (8/2)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4229.62 (4220.96) Low 4168.33 (4164.23) (Theoretical†)
Day's high 4210.26 (4201.61) Low 4168.47 (4168.41) (Actual†)

Standard and Poors	Apr 5	Apr 4	Apr 3	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	505.57	505.24	501.85	505.57 (5/4)	459.11 (3/1)	505.57 (5/4/95)	4.40 (1/6/32)
Industrials¶	601.01	600.76	596.00	601.00 (5/4)	546.29 (3/1)	601.00 (5/4/95)	3.62 (21/6/32)
Financial	47.03	46.95	46.41	47.03 (5/4)	41.41 (2/1)	48.40 (28/8/93)	8.64 (1/10/74)
NYSE Comp.	273.45	273.29	271.49	273.45 (5/4)	250.73 (3/1)	273.45 (5/4/95)	4.46 (25/4/42)
Amex Mkt Val	467.85	467.30	465.99	467.85 (5/4)	433.12 (6/1)	467.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	816.32	813.72	816.05	826.14 (28/3)	743.58 (3/1)	826.14 (28/3/95)	54.87 (31/10/72)

■ RATIOS

	Mar 31	Mar 24	Mar 17	Year ago
Dow Jones Ind. Div. Yield	2.84	2.85	2.89	2.81
	Apr 5	Mar 29	Mar 22	Year ago
S & P Ind. Div. yield	2.28	2.27	2.33	2.51
S & P Ind. P/E ratio	18.11	18.05	17.60	23.55

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Motorola	5,489,100	54¾	+1
Telefonos	5,059,200	29¾	+1
RJR Nabisco	4,823,100	5⅝	-⅛
Micron	4,072,500	74⅞	+¾
Callaway	4,050,800	14⅞	+⅞
Engelhard	3,975,800	38¼	+8¾
K Mart	3,388,500	14¼	+⅛
Host Marriott	3,352,300	10⅞	---
DuPont	3,111,900	65⅞	+1⅛
Morris Knud	2,827,800	9⅞	+1⅜

■ TRADING ACTIVITY

● Volume (million)

	Apr 5	Apr 4	Apr 3
New York SE	316.131	318.417	282.724
Amex	24.425	16.839	14.058
NASDAQ	323.098	335.099	248.982
NYSE			
Issues Traded	2,985	2,955	2,943
Rises	1,183	1,436	1,120
Falls	979	812	1,081
Unchanged	803	707	784
New Highs	85	101	88
New Lows	13	20	13

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Jun	508.85	509.25	+0.55	509.85	508.50	55,764	189,045
Sep	513.80	513.70	+0.80	514.10	513.65	147	9,297
■ Nikkei 225							
Jun	15810.0	15800.0	-140.0	16020.0	15720.0	23,871	124,953
Sep	15920.0	16000.0	+20.0	16070.0	15920.0	24	29

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‖ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Prices in US $.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, April 6, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fudo Const	18.2m	864	+11	Sumitomo Mtl	3.2m	738	+16
Sumitomo Const	5.8m	658	+3	Hitachi	3.0m	860	-17
Nippon Steel	4.1m	325	+3	Mitsui Min	2.8m	325	+2
Penta Ocean	3.9m	864	+1	NEC	2.4m	909	+2
Mitsubishi Hvy	3.7m	619	+7	NKK	2.1m	229	-3

4 pm close April 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14¼	12⅛	AAR	0.48	3.7	22	137	13	12¾	13	+⅛
23⅝	19¼	ALPharmA	0.18	0.8	287	39	23⅛	22⅞	23	
38¼	35	AMP	0.92	2.4	22	8244	u39⅛	38⅛	39	+⅞
66⅞	53⅜	AMR			29	3890	u67¼	66	66⅞	+¼
47⅞	41⅞	ASA	1.71	3.7	31	1068	47⅝	46¾	46⅞	-⅝
38⅜	30¼	AbbotL	0.84	2.2	20	11007	39⅛	37⅞	39⅛	+¼
14⅝	12	Abitibi Pr	0.50	3.4	19	2229	u14⅝	14⅜	14½	-⅛
24⅜	21¾	ABM Ind	0.60	2.8	12	895	21⅞	d21	21½	-⅜
16⅝	14¼	Acptocein			6	174	14⅜	14⅛	14⅜	+¼
27	21⅞	ACE Ltd	0.44	1.7	8	1082	26⅝	26¼	26⅛	-⅜
9¾	8⅛	ACM Gvt In x	0.90	10.9	7	126	8¼	d8⅛	8¼	
7½	6½	ACM GvOpp x	0.65	10.0		118	6¾	6⅝	6⅝	
7½	5¾	ACM Gvt Sp x	0.75	11.8		380	6½	6¼	6⅜	+⅛
8⅝	7¼	ACM Gvt Se x	0.90	12.0		490	7⅝	7½	7½	
8½	7⅝	ACM Man x	1.08	13.9		87	7⅞	d7⅝	7¾	
7⅝	7⅛	ACM Managd x	0.72	9.9		104	7¼	d7⅛	7¼	
18½	10¼	AcmeClv	0.48	2.5	11	673	u19¼	18½	19	+⅝
21½	12⅜	Acme Elect			22	356	20¼	19⅞	20	+⅛
34½	31⅜	Acordia	0.72	2.2	15	11	32¼	32⅛	32⅛	
11⅜	8⅝	Adcawa	0.36	3.7	7	95	9⅞	9¾	9¾	
16¾	11⅛	Acuson			18	425	11⅝	11½	11½	
18⅝	15⅝	Adams Expr	0.36	2.2	0	79	16⅜	16¼	16¼	
68½	53	Ad Micro				66	66	65	66	
35⅞	25	AdvMic			11	10250	35⅜	34¾	35⅜	+⅝
6⅜	5	Advest Grp	0.16	2.8	23	50	5⅞	5¾	5¾	-⅛
[illegible]										

Continued on next page

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4 pm close April 6

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close April 6

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ABS Inds	0.20	10	32	11½	d11½	11½	
ACC Corp	0.12	10	576	16¾	16¼	16½	+⅜
Acclaim E		13	10556	15⅛	14⅞	14¾	-¼
Acme Mets		7	99	17¼	16¾	16¾	-¼
Acxiom Cp		24	330	16¾	16	16¼	-⅛
Adaptech		21	6298	33	31⅞	32⅛	-⅞
ADC Tele		41	3057	30½	29	29⅞	-1⅛
Addington		22	443	10½	10	10¼	+⅜
AdiaADR	0.16	10	40	22¼	22¼	22¼	
Adobe Sys	0.20	102	12714	51¼	48	48¼	-2½
Advance C		9	242	13½	13⅛	13¾	+¼
Adv Logic		475	130	4¾	4½	4¾	
Adv Polym		7	222	4⅞	4⅝	4¾	-⅛
AdvTchLab		10	89	18⅔	16	16	-½
Advanta	0.27	13	146	33¾	33½	33⅝	+⅛
AgricoEa	0.10	45	17	u12⅝	12⅜	12⅜	
AirExpr	0.16	20	858	u26½	25½	25¾	-¼
Akzo ADR	1.76	15	272	57¾	57⅛	57½	+¾
AlgBnd	0.88	14	292	23	22½	22¾	
Allegh &W		14	32	u11⅝	11½	11⅝	+⅛
Allen Org	0.52	12	z100	41	41	41	
Alkan Ph		3	365	6⅛	5¾	6⅛	
AlldCapB	1.00	12	162	14⅜	14	14	-¼
Alld Cap	0.80	10	205	12	11½	11½	
Aloette C	0.32	2	20	1⅞	1⅞	1⅞	
Alta Gold	0.06	56	494	1⅛	1⅛	1⅛	
Altera Co		85	11320	59⅜	57⅝	58⅛	+½

AMEX COMPOSITE PRICES

4 pm close April 6

FINANCIAL TIMES Friday April 7 1995

AMERICA

Equities steady ahead of today's jobs data

Wall Street

US share prices were mixed in quiet trading yesterday morning as investors turned their attention to important data on jobs to be released today, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average was 2.77 higher at 4,203.34, while the Standard & Poor's 500 dropped 0.08 at 505.49. The American Stock Exchange composite was up 0.46 at 468.31. Meanwhile the Nasdaq composite was off 1.17 at 815.15. NYSE volume was 191m shares.

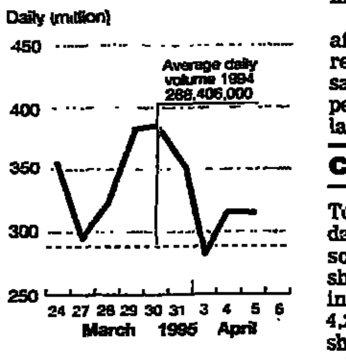
Traders paid little attention to the releases of economic data on initial unemployment claims or housing construction, both of which reinforced the growing consensus that the economy was slowing.

The Dow outperformed other indices in part because cyclical stocks were moderately stronger than other issues. The Morgan Stanley index of cyclical shares was off just 0.03 per cent, while the index of consumer shares lost 0.12 per cent. Caterpillar, for example, gained $¾ at $56¼ and Dupont was $1½ higher at $64⅝.

Bank stocks were mostly higher after Mr Michael Price increased his stake in Chase Manhattan Bank and said that he believed that the value of the bank's businesses exceeded its current market value. Chase shares rose $3¼ at $41¼, Chemical Banking rose $1⅝ at $40¾ and Citicorp gained $¾ at $44⅞.

Apple Computer jumped more than 5 per cent with shares rising $1⅞ at $36⅝ on rumours that the California-based computer maker might be the subject of a takeover bid by Canon. Canon, which saw its New York-traded American Depository Receipts fall $⅝ at $80⅞, firmly denied the story.

NYSE volume



Profits warnings caused shares in several companies to drop sharply. Wall Data shares lost 44 per cent, or $18½ at $23¼, after the software company said that it expected to break even, or suffer a 2 cents a share loss, in the first quarter.

Dialogic shed $6¼ at $22¾ because the company, which manufactures telephone-related hardware and software, said it anticipated first quarter net operating earnings to be closer to about 19 cents per share than the 22 to 24 cents per share forecast by analysts.

And Safety 1st lost $8¼ at $17½ after the company said it expected first quarter earnings to be about 6 cents a share less than the mean analyst estimate of 36 cents a share.

Ann Taylor shed $4 at $32¾ after the women's clothing retailer reported that March same-store sales were off 0.9 per cent from the same period last year.

Canada

Toronto edged higher at midday, gaining strength from the solid performance of gold shares. The TSE-300 Composite index rose 4.76 by noon to 4,289.86 in volume of 31.2m shares.

Toronto's 14 sub-indices were evenly split with golds, 91.09 higher at 10,315.50, leading the advancing groups.

Among heavily traded gold issues, Barrick Gold rose $⅝ to $35½.

Seagram added $¼ to $40¼ after a report that the company was believed to have an exclusive deal with Matsushita to negotiate the purchase of MCA.

SOUTH AFRICA

South African shares saw steady gains as a rally in the platinum price helped related stocks and lifted overall sentiment. The overall index advanced 26.2 to 5,353.2, the industrial index picked up 9.5 to 6,665.2 and the gold index added 27.7 to 1,560.

Among individual features, De Beers and Anglos both rose R1.50 to R91.75 and R202 respectively, and JCI added R1 to R86.

Brazilian equities make headway

Brazilian stocks were firmer by midday on speculative buying ahead of the forthcoming futures index and options settlements.

The Bovespa index of the 55 most-active stocks was up 384 to 32,188 by 1 pm in turnover of R$191.7m ($214.4m). The futures index and options settlements are scheduled for April 12 and 17.

MEXICAN equities were softer in early dealings. The IPC index was down 11.72 at 1,907.37 in light volume of 5.5m shares.

Heavily-weighted Telmex A and L shares slipped respectively 1.8 per cent and 0.6 per cent.

ARGENTINE stocks were little changed by mid-morning. The Merval index was off 0.48 at 386.54.

A package of measures to raise tax revenue, lower government spending and secure financing from multinational institutions has eased short-term fears among investors.

CARACAS closed higher with the cement company, Vencemos, a feature, ending the session down 2.50 bolivars at 270.00 bolivars, after hitting an earlier high of 370.00 bolivars. The Merinvest composite index added 0.93 or 1 per cent to 92.28. Turnover rose sharply to a preliminary estimate of 17.2bn bolivars, compared with 190m bolivars on Wednesday.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World Indices as at MARCH 31, 1995 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter. The percentage change for each US dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS (number of lines of stock)	Market cap. as at 31/03/95 (US$m)	% of World Index	Market cap. as at 30/12/94 (US$m)	% of World Index	% chge in $ index since 31/12/94
Australia (68)	135571.2	1.38	143416.0	1.53	-5.83
Austria (16)	13353.2	0.14	13124.7	0.14	1.64
Belgium (35)	70165.1	0.71	64811.4	0.69	8.41
Brazil (28)	33953.0	0.34	49555.3	0.53	-31.48
Canada (103)	153972.2	1.56	148231.4	1.58	3.59
Denmark (33)	35320.7	0.36	34158.0	0.36	3.40
Finland (24)	28325.1	0.29	28420.9	0.30	-4.05
France (101)	366468.7	3.72	330469.2	3.52	11.07
Germany (58)	349735.2	3.55	339406.6	3.62	2.39
Hong Kong (56)	174641.1	1.77	164872.0	1.76	6.42
Ireland (16)	16154.6	0.16	14819.6	0.16	5.67
Italy (58)	124886.2	1.27	133166.7	1.42	-8.55
Japan (484)	2788768.7	28.30	2747310.7	29.27	-2.98
Malaysia (97)	102798.6	1.04	100732.7	1.07	1.75
Mexico (18)	31168.8	0.32	51642.1	0.55	-39.64
Netherland (19)	198338.6	2.01	181522.8	1.93	9.18
New Zealand (14)	20311.6	0.21	18882.8	0.20	7.44
Norway (23)	16052.1	0.16	10812.8	0.12	-1.54
Singapore (44)	55986.6	0.57	56807.3	0.61	-2.51
South Africa (59)	131815.1	1.34	130244.8	1.39	1.03
Spain (38)	90515.5	0.92	91887.2	0.98	-1.45
Sweden (48)	99887.0	1.01	85635.3	0.91	1.26
Switzerland (47)	250233.5	2.54	225084.2	2.40	11.10
Thailand (46)	18658.4	0.19	20682.8	0.22	-10.55
United Kingdom (203)	955198.4	9.69	905133.1	9.64	6.33
USA (511)	3592374.6	36.45	3298046.9	35.11	8.91
Americas (660)	3811468.6	38.68	3545475.7	37.77	7.41
Europe (719)	2614634.0	26.53	2458452.8	26.19	5.58
Nordic (128)	179584.9	1.82	159027.0	1.69	0.70
Pacific Basin (809)	3296736.2	33.45	3252704.5	34.65	-2.48
Euro-Pacific (1528)	5911370.2	59.99	5711157.1	60.84	0.93
North America (614)	3746346.8	38.02	3444278.4	36.69	8.68
Europe Ex. UK (516)	1659435.6	16.84	1553319.6	16.55	5.13
Pacific Ex. Japan (325)	507967.6	5.15	505393.8	5.38	0.33
World Ex. US (1736)	6262279.3	63.55	6090830.7	64.89	0.40
World Ex. UK (2044)	8899455.5	90.31	8481744.5	90.36	3.03
World Ex. Japan (1763)	7065885.2	71.70	6639566.9	70.73	6.06
The World Index (2247)	9854653.9	100.00	9386877.6	100.00	3.34

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY APRIL 5 1995								TUESDAY APRIL 4 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (83)	169.84	3.4	157.03	92.87	122.17	152.80	2.5	3.96	164.21	151.70	89.77	118.28	149.02	180.82	157.95	162.89
Austria (27)	185.32	-0.2	171.34	101.33	133.30	133.24	-0.4	1.30	185.77	171.61	101.56	133.80	133.74	198.89	167.46	176.02
Belgium (35)	184.35	0.1	170.44	100.80	132.60	129.35	0.0	4.08	184.17	170.13	100.68	132.65	129.35	184.35	161.53	161.95
Brazil (28)	116.71	1.5	107.91	63.82	83.95	193.14	1.4	1.87	114.98	106.22	62.86	82.81	190.48	-	-	-
Canada (103)	134.07	1.3	123.95	73.30	96.43	135.07	1.0	2.59	132.37	122.28	72.36	95.34	133.76	140.25	120.54	128.09
Denmark (33)	262.50	0.6	242.69	143.53	188.81	194.94	0.2	1.63	260.95	241.07	142.66	187.95	194.55	275.27	236.61	256.68
Finland (24)	186.86	0.4	172.76	102.17	134.40	167.99	-0.1	1.42	186.19	172.00	101.79	134.10	168.14	201.41	133.88	136.62
France (101)	181.68	-0.1	167.97	99.34	130.68	137.76	-0.3	3.13	181.81	167.95	99.39	130.95	138.19	181.81	157.79	167.65
Germany (59)	148.76	0.6	137.54	81.34	107.00	107.00	0.4	2.07	147.93	136.66	80.87	106.54	106.54	154.61	132.08	135.43
Hong Kong (55)	342.82	0.1	316.95	187.45	246.58	340.30	0.1	3.92	342.53	316.43	187.26	246.71	340.04	416.42	277.40	374.64
Ireland (16)	216.85	0.4	200.49	118.57	155.98	189.96	0.3	3.58	215.98	199.52	118.07	155.56	189.44	217.94	177.56	177.56
Italy (68)	67.60	-0.5	62.49	36.96	48.62	86.85	-0.7	1.77	67.92	62.74	37.13	48.92	87.46	97.78	65.45	85.76
Japan (483)	148.82	0.7	137.59	81.37	107.04	81.37	0.7	0.94	147.77	136.51	80.78	106.43	80.78	170.10	136.95	153.03
Malaysia (97)	503.30	4.3	465.33	275.20	362.02	484.70	3.4	1.62	482.56	445.81	263.82	347.59	468.92	594.76	398.16	435.67
Mexico (18)	917.11	3.7	847.90	501.45	659.64	8512.85	0.7	1.67	884.59	817.18	483.59	637.12	8465.49	2414.12	847.81	1928.40
Netherland (19)	235.91	0.4	218.11	128.99	169.69	168.78	0.2	3.78	235.05	217.14	128.50	169.30	168.39	238.80	191.28	191.28
New Zealand (14)	78.68	2.5	72.74	43.02	56.59	63.66	2.4	4.61	76.73	70.88	41.95	55.27	62.20	78.68	62.05	62.05
Norway (33)	213.87	0.0	197.73	116.94	153.83	179.83	-0.2	2.35	213.87	197.57	116.92	154.04	180.20	216.03	177.53	191.56
Singapore (44)	363.80	1.5	336.35	198.92	261.68	235.87	1.4	1.82	358.51	331.20	195.99	258.23	232.67	401.39	304.63	304.63
South Africa (59)	351.46	0.8	324.94	192.17	252.79	276.16	1.0	2.46	348.49	321.93	190.51	251.00	273.51	351.46	205.65	226.63
Spain (38)	132.75	1.1	122.73	72.59	95.48	127.33	0.8	4.44	131.24	121.24	71.75	94.52	126.32	150.21	124.10	138.48
Sweden (48)	238.62	0.1	220.61	130.47	171.63	261.10	0.0	2.20	238.33	220.17	130.29	171.66	261.02	247.40	196.70	204.82
Switzerland (47)	183.30	0.1	169.47	100.23	131.84	128.98	-0.2	1.95	183.05	169.10	100.07	131.84	129.20	184.04	149.91	159.18
Thailand (46)	137.60	0.1	127.22	75.24	98.97	131.53	0.1	3.23	137.47	127.00	75.15	99.02	131.41	-	-	-
United Kingdom (203)	207.19	0.0	191.56	113.29	149.03	191.56	0.1	4.28	207.15	191.37	113.25	149.21	191.37	207.19	181.11	187.36
USA (510)	206.55	0.1	190.96	112.93	148.56	206.55	0.1	2.75	206.44	190.71	112.86	148.69	206.44	206.55	179.72	182.80
Americas (659)	189.09	0.1	174.82	103.39	136.00	158.74	0.1	2.72	188.82	174.43	103.22	135.99	158.58	-	-	-
Europe (741)	178.91	0.1	165.41	97.82	128.68	149.37	0.1	3.25	178.64	165.03	97.66	128.67	149.30	178.91	160.59	163.70
Nordic (138)	230.94	0.2	213.51	126.27	166.10	206.63	0.0	1.99	230.40	212.84	125.95	165.94	206.60	235.72	197.70	199.34
Pacific Basin (822)	157.58	0.9	145.69	86.16	113.35	91.82	0.9	1.31	156.12	144.23	85.35	112.45	91.03	178.86	145.93	160.67
Euro-Pacific (1563)	166.37	0.6	153.82	90.97	119.67	113.64	0.5	2.18	165.41	152.80	90.43	119.14	113.07	175.14	154.73	161.78
North America (613)	202.06	0.1	186.81	110.48	145.33	201.69	0.1	2.74	201.85	186.47	110.35	145.38	201.51	202.06	176.47	179.40
Europe Ex. UK (538)	159.89	0.2	147.82	87.42	115.00	128.07	0.0	2.67	159.53	147.37	87.21	114.90	128.05	159.89	144.12	147.26
Pacific Ex. Japan (339)	243.10	2.1	224.76	132.92	174.86	213.49	1.7	3.25	238.05	219.92	130.14	171.46	210.00	273.13	211.19	236.27
World Ex. US (1771)	166.96	0.6	154.36	91.29	120.08	117.04	0.5	2.19	165.92	153.27	90.70	119.50	116.43	176.65	155.42	162.52
World Ex. UK (2078)	176.09	0.5	162.80	96.28	126.65	138.50	0.4	2.20	175.29	161.93	95.83	126.25	137.97	178.59	163.46	165.42
World Ex. Japan (1798)	196.45	0.3	181.62	107.41	141.30	182.39	0.2	2.95	195.85	180.93	107.07	141.06	182.00	196.45	176.74	178.36
The World Index (2281)	178.81	0.4	165.32	97.77	128.61	143.10	0.3	2.40	178.07	164.50	97.35	128.26	142.59	180.80	165.92	168.27

Latest prices were unavailable for this edition. Market closed 5/4/95: Hong Kong.

EUROPE

Paris and Brussels respond to rate cuts

Cuts in European interest rates were not an automatic passport to share price appreciation, *writes Our Markets Staff.* Paris and Brussels rose, but Denmark eased on the day.

PARIS was encouraged by the largely symbolic 25 basis points cut in the Bank of France's 24 hour lending rate. The CAC-40 index closed 17.24 higher at 1,890.16.

Among corporate features, Crédit Foncier, the mortgage banking group, pleased the market with a slightly better than expected 1994 result, said that a cut in provisions would boost earnings this year and next, and put on FFr30 or 5.4 per cent to FFr587.

Accor went in the opposite direction, shedding FFr13 or 2.2 per cent to FFr569 after the hotel group said that its acquisition of the 30 per cent of Wagons-Lits, the Belgian group, that it did not already own, would dilute its eps.

Alcatel Alsthom, which attracted a number of brokers' downgrades following Wednesday's worse than expected 1994 results, recovered FFr9.20 or 2 per cent to FFr444.50 as investors began to take the view that Mr Pierre Suard, the chairman, would be asked to resign later this month. Mr Suard had been banned from running the group by a magistrate investigating allegations of the abuse of corporate funds and the over-billing of France Telecom. Opinion was building among analysts yesterday that Mr Suard would be forced out of the company as it attempts to rebuild itself following a 50 per cent decline in net income last year.

BRUSSELS celebrated cuts in key Belgian interest rates with the Bel-20 index closing 14.79, or 1.1 per cent higher at 1,341.46, industrials climbing after recent weakness.

In chemicals, Tessenderlo, a recent buy recommendation from Smith New Court, rose BFr230 to BFr9,790 while Solvay closed BFr300 higher at BFr14,550. Fortis, the bank/insurance holding company, rose BFr40 to BFr2,825 on better than expected 1994 earnings.

FRANKFURT effectively held its ground, the Dax index closing the post bourse 3.93 higher at an Ibis-indicated 1,976.52 in turnover up from DM5.7bn to DM6.1bn. The outstanding blue chip move was in Schering, which rose DM29 to DM1,089.

The pharmaceuticals company underperformed the market in March, the month in which it cut its 1995 sales forecast as a result of the soaring D-Mark. Analysts trimmed their earnings forecasts, but Schering's fans were still looking yesterday at a prospective p/e of around 13 for 1996 against the historic 23.7.

Elsewhere, Henkel, which has the German rights to the Persil brand name, reflected the move of sentiment towards consumer stocks with a rise of DM9.20 to DM541.

ZURICH turned higher as easing money market rates sparked renewed demand for banks and insurers. The SMI index gained 19.8 to 2,556.1 in moderate turnover, with the strength of the franc continuing to weigh on the market.

UBS bearers rose SFr12 to SFr1,054 and CS Holding SFr15 to SFr483. Among insurers, Zurich jumped SFr21 to SFr1,215 and Swiss Re SFr8 to SFr778.

Schindler certificates, which had seen losses of 24 per cent over the previous two days after Tuesday's profit warning, recouped SFr50 to SFr1,095.

AMSTERDAM broke the 400 barrier with the AEX index up 2.39 at 400.22, financials and chemicals in the lead.

In chemicals, Akzo Nobel rose Fl 2.10 to Fl 177.30 and DSM Fl 1.40 to Fl 122.50. In financials, apparently oversold in recent weeks, ING put on Fl 1.90 to Fl 78.90 and ABN Amro 60 cents to Fl 58.20. Amev gained Fl 1.30 to Fl 75.50 after announcing better than expected 1994 results.

MILAN professionals suggested that the market would be unable to escape its lethargy until after the regional elections on April 23. The Comit index edged 0.40 higher to 595.56 in turnover estimated at L275bn.

Falck, the steelmaker rose L374 or 14.7 per cent on speculation of an announcement today on the compensation it will receive from the Italian government and the EU for cutting back on capacity.

STOCKHOLM, unable to react positively to the budget package on Wednesday, waited until the Swedish crown weakened further yesterday to push the Affärsvärlden general index up 13.90 to 1,506.20. Ericsson B rose another SKr6.50 to a new 1995 high of SKr476.50 following news of its plans to take a 40 per cent share of the US mobile phone market.

OSLO climbed 1.8 per cent on foreign buying, the all-share index closing 8.3 higher at 632.4. In and around the oil industry, Saga Petroleum rose NKr2.50 to NKr88 as it said that it hoped to get its small, Tordis East oilfield on stream in 1997; and Kvaerner, awarded a NKr300m engineering contract by Statoil, rose NKr7.50 to NKr269.

ISTANBUL picked up another 1.9 per cent, marking its seventh consecutive all time high and the 23rd record close since February 20. The composite index gained 810.37 to 44,293.79, heavy demand taking Eregli, the flat steel group, up TL700 to TL7,800.

WARSAW's Wig index picked up 253.3 or 3.9 per cent to 6,739.9 after the sharp losses last month, up 14.2 per cent since its revival began on Wednesday last week.

Written and edited by William Cochrane, Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

Apr 6							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1268.82	1273.04	1273.50	1274.82	1277.17	1277.95	1277.48	1277.00
FT-SE Eurotrack 200	1373.17	1373.10	1373.88	1379.02	1380.91	1380.68	1378.55	1378.90

	Apr 5	Apr 4	Apr 3	Mar 31	Mar 30
FT-SE Eurotrack 100	1267.84	1267.70	1252.05	1254.30	1268.27
FT-SE Eurotrack 200	1372.50	1373.05	1360.10	1362.27	1376.38

Base 1000 (26/10/90); High/day: 100 - 1278.14; 200 - 1382.93 Low/day: 100 - 1268.75 200 - 1371.68 † Partial

ASIA PACIFIC

Region mixed after gains in previous days

Tokyo

The continued appreciation of the yen put pressure on equities and the Nikkei index retreated in low volume, *writes Emiko Terazono in Tokyo.*

The 225 average fell 66.62 to 15,815.87 after fluctuating between 15,698.06 and 15,949.11. An overnight fall in Chicago futures prompted selling, while domestic institutions were also seen taking small-lot profits.

There was increased caution as the yen rose above the Y86 level in the afternoon, to another record high. After the close, the dollar fell to a post-war low of Y85.35 in Tokyo.

Volume was 216m shares against 206m. Traders noted the activity of individual investors, especially in the construction sector.

"With rates on deposits so low, it will not be long until individuals return to the market," said one Japanese fund manager.

The Topix index of all first section stocks fell 4.72 to 1,274.43 and the Nikkei 300 shed 1.10 to 235.85. Gainers led losers by 521 to 468 with 181 issues unchanged.

In London, the ISE/Nikkei 50 index fell 2.72 to 1042.92.

Exporters fell on the yen's appreciation: Hitachi fell Y17 to Y860, while Sony lost Y13 to Y4,150. Honda fell Y40 to Y1,350.

Fudo Construction, the day's most active issue, rose Y11 to Y864 on buying by individuals and dealers. Mining stocks, speculative favourites, were also higher with Sumitomo Metal Mining up Y16 to Y738 and Mitsui Mining & Smelting adding Y2 to Y325.

Profit-taking left the real estate sector down 1.8 per cent. Mitsui Fudosan declined Y32 to Y912 and Mitsubishi Estate Y27 to Y914. Banks also lost ground: Dai-Ichi Kangyo Bank fell Y20 to Y1,590 and Sumitomo Bank Y20 to Y1,720. Hokkaido Takushoku Bank, which confirmed that it would post losses for the past fiscal year, closed unchanged at Y290 after profit-taking eroded early morning gains.

In Osaka, the OSE average rose 7.76 to 17,685.87 in volume of 8.8m shares. Nintendo, the video game maker, added Y280 to Y5,180, while Aoyama Trading, the men's suit maker, added Y70 to Y1,410.

Roundup

The region was mixed after Wednesday's gains. Bangkok was closed for a holiday.

KUALA LUMPUR tumbled on selling pressure, the KLSE composite index closing down 20.07, or 2 per cent lower at 978.72 after Wednesday's 24.76 point rise on news that the Malaysian parliament would be dissolved, and elections called.

Analysts said there was no reason why the market should have rallied initially, and that investors were now facing up to the implications of a strong Malaysian dollar, a strong yen and a weak dollar, affecting general export prospects, import costs of manufacturing parts from Japan, and export margins to the US respectively.

KARACHI dropped 1.1 per cent on profit-taking following early gains, the KSE 100 index falling 19.66 to 1,711.71 after 1,739.48 at midday.

HONG KONG saw further weakness in the US dollar drive equity investors to the sidelines, the Hang Seng ending 73.75 lower at 8,418.18. Turnover rose from HK$2.1bn to HK$2.5bn.

Mainland China stocks fell by a little more than 1 per cent, with Guangzhou Shipyard International, the biggest loser of the group and with 1994 final results impending, falling 15 cents to HK$3.50.

SYDNEY lost its ebullience, the All Ordinaries index closing 2.1 lower at 1,980.3 after an earlier intra-day high of 1,996.8 when it was supported by a stronger gold sector.

Turnover fell from A$824.5m to A$537.8m. Dealers said that the market was consolidating the large gains of the previous two sessions although Ashton, the mining company, rose 10 cents to A$2.20 on news of a diamond discovery in Canada.

TAIPEI came back mixed after a four-day holiday, the weighted index closing 2.17 higher at 6,575.71.

MANILA's blue chips set up a surprise rally, the composite index climbing 1.5 per cent, or 35.81 to 2,446.16 when the consensus expectation was a fall through the 2,400 level. Philippine National Bank, Petron, and Philippine Long Distance Telephone led the rise, with gains of 4 per cent to 227 pesos, 2.7 per cent to 19 pesos and 2.5 per cent to 1,620 pesos respectively.

BOMBAY enjoyed sustained buying by traders and local mutual funds as the BSE 30-share index closed 44.31, or 1.3 per cent higher at 3,484.25.

Brokers said an expected revival of forward trading on the country's bourses and an anticipated better 1994/95 results by most blue chip firms had drawn investors back to the secondary market.